No. ____

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93-283

IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

FONAR CORPORATION,

Petitioner,

—v.—

DECCAID SERVICES, INC., MEDICAL FUNDING OF AMERICA, INC., DAVID SMITH, MORTON MACKOF, STEVEN STECKLER, LOUIS TREGLIA and PETER KIM,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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73pp.

QUESTIONS PRESENTED

1. Can a Writ of Mandamus be issued by a Court of Appeals without affording the District Court and the respondent below any opportunity to oppose the petition seeking such mandate, in violation of the express provisions of Rule 21(b) of the Federal Rules of Appellate Procedure, due process of law, and the concept of fundamental fairness?

2. Can a Court of Appeals through a Writ of Mandamus substitute its discretion for that of the District Court and mandate modification of a confidentiality/protective order, which the District Court issued in the exercise of its discretion under express authority of Rule 26(c) of the Federal Rules of Civil Procedure?

LIST OF PARTIES

The parties to the action in the District Court are as follows:

The Petitioner, Fonar Corporation and the Respondents, Deccaid Services, Inc., Stephen Steckler, Peter Kim, Luigi Treglia, Medical Funding of America Inc., David Smith and Morton Mackof. In addition, Equi Med Leasing, Inc. was a party in the trial court. Equi Med Leasing, Inc. has defaulted and has not participated in the matters before the lower court and is not a respondent before this Court.

Petitioner, Fonar Corporation, has no parent companies, subsidiaries, or affiliates to list pursuant to Rule 29.1.

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In the
SUPREME COURT OF THE UNITED STATES
October Term, 1993
No. _____

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FONAR CORPORATION,

Petitioner,

-against-:

DECCAID SERVICES, INC.,
MEDICAL FUNDING OF AMERICA,
INC., DAVID SMITH, MORTON
MACKOF, STEVEN STECKLER,
LOUIS TREGLIA and PETER KIM,

Respondents.

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

Fonar Corporation ("Fonar" or "Petitioner") respectfully prays for a Writ of Certiorari to review the Writ of Mandamus and Mandate of the United States Court of Appeals for the Second Circuit, issued in this case on June 9 and June 14, 1993, respectively, and that, summarily or upon hearing that the issuance of the Writ of Mandamus be reversed.

OPINION/ORDER BELOW

The Order for a Writ of Mandamus of the United States Court of Appeals for the Second Circuit has not been reported. It is reprinted in the appendix, App. 2a-23a, infra.[1] The Order of the District Court (Wexler, D.J.) affected by the Writ of Mandamus has also not been reported. It is the underlying order that is reprinted as part of the Writ of Mandamus and is the same as the order appearing at App. 6a-21a, infra, but without the redactions and insertions.

JURISDICTION

The Writ of Mandamus was issued by the Court of Appeals for the Second Circuit on June 9, 1993 and the Mandate issued on June 14, 1993 (App. 2a-23a). A timely motion for leave to move for reconsideration was denied on July 14, 1993 (App. 24a-26a). This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1).

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[1] Pages in the appendix are cited as "App. __a".

CONSTITUTIONAL PROVISION AND STATUTES INVOLVED

U.S. Constitution, Amendment V:

> "No person shall be... deprived of life, liberty, or property, without due process of law... ."

All Writs Act, 28 U.S.C. § 1651(a):

> "The Supreme Court and all courts established by Act of Congress may issue all writs necessary or appropriate in aid of their respective jurisdictions and agreeable to the usages and principles of law."

Federal Rules of Appellate Procedure, Rule 21:

> **"Writs of Mandamus and Prohibition Directed to a Judge or Judges and Other Extraordinary Writs**
>
> * * *
>
> (b) **Denial; Order Directing Answer.** If the court is of the opinion that the writ should not be granted, it shall deny the petition. Otherwise, it shall order that an answer to the petition be filed by the respondents within the time fixed by the order. The order shall be served by the clerk on the judge or judges named respondents and on all other parties to the action in the trial

court. All parties below other than the petitioner shall also be deemed respondents for all purposes. Two or more respondents may answer jointly. If the judge or judges named respondents do not desire to appear in the proceeding, they may so advise the clerk and all parties by letter, but the petition shall not thereby be deemed as admitted. The clerk shall advise the parties of the dates on which briefs are to be filed, if briefs are required, and of the date of oral argument. The proceedings shall be given preference over ordinary civil cases."

Federal Rules of Civil Procedure, Rule 26:

"General Provisions Governing Discovery

* * *

(c) **Protective Orders.** Upon motion by a party or by the person from whom discovery is sought, and for good cause shown, the court in which the action is pending. . . may make any order which justice requires to protect a party or person from annoyance, embarrassment, oppression, or undue burden or expense including one or more of the following:
(1) that the discovery not be had; (2) that the discovery may be had only on specified terms and conditions, including a designation of the time or place; . . . (5) that discovery be conducted with no one present except persons designated by the court; . . . (7) that

a trade secret or other confidential research, development, or commercial information not be disclosed or be disclosed only in a designated way... ."

STATEMENT OF THE CASE[2]

Fonar manufactures and services magnetic resonance imaging ("MRI") scanners, highly sophisticated machines providing images of human tissue and bone for detection and diagnosis of disease and physical condition, without invasive x-rays. As part of its MRI system, Fonar created computer software, including software to assist in maintenance and repair of the MRI machines, and schematic drawings of the components and circuit boards used to assist maintenance and repair of the system. The software is the subject of copyright rights, and the schematic drawings are trade secrets.

Respondent Deccaid Services, Inc. ("Deccaid") is a direct competitor of Fonar in the service and maintenance of Fonar machines. Respondents Steckler, Kim and Treglia, former Fonar employees, were employed by Deccaid. The other Respondents were former Fonar employees or their employers, and were

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[2] Most of the facts are contained in the documents annexed to the petition filed with the Court of Appeals for the Second Circuit, some of which are reproduced in the appendix, infra. Because Fonar was not permitted to file opposition papers, as elaborated below, it did not have the opportunity to put before the Second Circuit all of the facts -- background and procedural -- which should have been considered in opposition to the petition.

either competitors, or assisted competitors of Fonar.[3] Respondents, directly or indirectly, wrongfully misappropriated and used, or assisted in the wrongful use of, the copyrighted software and trade secrets in competition with Fonar.

Fonar brought this action in the United States District Court for the Eastern District of New York alleging copyright infringement and misappropriation of trade secrets, and sought a preliminary injunction.

On October 2, 1991, the District Court issued a temporary restraining order prohibiting the use of Fonar's software and schematic drawings. (App. 30a-31a).[4]

Notwithstanding that restraining order, and within weeks of its issuance, several Respondents used the copyrighted software and schematic drawings. After a hearing, they were adjudged in contempt of court, and a preliminary injunction was issued. (App. 32a-41a)[5].

Thereafter, on appeal, the Second Circuit vacated the Preliminary Injunction and the Contempt Order on

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[3] Defendants will be referred to collectively herein as "Respondents".

[4] The preliminary injunction order which was put before the Second Circuit was an amended order, but is substantially the same as the original order.

[5] Fonar Corp. v. Deccaid Services, Inc., 787 F.Supp. 44 (E.D.N.Y. 1991), vacated, remanded, app. dismissed, in part, 983 F.2d 427 (2d Cir. 1993).

the ground that the injunction lacked precise definition, and required reference outside the four corners of the Order.[6]

Discovery then began and, Fonar applied for and was granted by the District Court a confidentiality/protective order. The order, among other things, established a category of "specially confidential information" covering the sensitive confidential commercial information that was to be produced, which was to be viewed only by Respondents' counsel and their experts, but not Respondents, themselves.

Respondents' motion to the District Court to reconsider and strike the confidentiality/protective order was denied, with leave to renew that application if specific need was shown. (App. 42a-44a).

Not satisfied, on May 27, 1993, Respondents applied to the Court of Appeals for the Second Circuit for a Writ of Mandamus to Vacate or Modify that Confidentiality/Protective Order. The principal thrust of the petition was directed to provisions of the Confidentiality/Protective Order relating to the procedure and timing for appointment and approval of expert witnesses. Only tangentially did it address the category established for specially confidential information.

On June 1, 1993, the Court of Appeals confirmed to Petitioners receipt of the petition and, by copy of that confirmation, informed Fonar's counsel that no

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[6] Fonar v. Deccaid Services, Inc., supra, 983 F.2d 427.

opposing papers could be filed unless directed to do so by the Court and that there would be no oral argument. (App. 1a). Neither the District Court nor counsel for Fonar was ever informed that any answer to the petition would be permitted.

Without requesting or receiving any opposing papers from Fonar or from the District Court, on June 9, 1993, the Court of Appeals issued its Writ of Mandamus directing that, among other things, the provisions for "Specially Confidential Information" be stricken. No opinion or statement of reasons was set forth. The mandate, identical to the Writ of Mandamus, issued five days later (App. 24a-26a).

On June 16, counsel for Fonar moved for leave to make a motion for reconsideration of the Writ of Mandamus, only with respect to the Specially Confidential Information. On July 14, 1993, in the following one-word decision, leave was: "Denied" (App. 27a-29a).

REASONS FOR GRANTING THE WRIT

I: The Issuance of a Writ of Mandamus Without Permitting Opposition, in Violation of the Federal Rules of Appellate Procedure, Undermines This Court's Supervisory Authority, and Denied Fonar Due Process of Law.

The Second Circuit issued a Writ of Mandamus without affording Fonar or the District Court the opportunity to oppose the petition. Indeed, they were forbidden to file opposition papers. In so doing, the

Second Circuit ignored the clear language of Rule 21(b) of the Federal Rules of Appellate Procedure, which expressly requires an opportunity for the respondent to be heard, both on papers and in oral argument, before a writ may be granted.

This Court established the Federal Rules of Appellate Procedure under the Rules Enabling Act, 28 U.S.C. § 2072 and declared that they were adopted "to govern the procedure in appeals to the United States Courts of Appeals", Order of the Supreme Court of the United States Adopting and Amending Rules, December 4, 1967. The obvious purpose, applying to all United States Courts of Appeals, was to achieve uniformity and to assure due process in the conduct of appeals throughout the Federal judicial system. But if the Rules can be so lightly ignored, the purpose of their adoption would be defeated.

The underpinning of the particular rule disregarded by the Second Circuit is due process and fundamental fairness, guaranteed by the Fifth Amendment to the U.S. Constitution. It is axiomatic that due process requires that a party to a litigation be heard before a decision is rendered against him. This is the very definition of due process offered by Daniel Webster, in his argument in the Dartmouth College case: due process of law is "a law which hears before it condemns; which proceeds upon inquiry, and renders judgment only after trial." The Trustees of Dartmouth College v. Woodward, 4 Wheat (17 U.S.) 518, 4 L.Ed. 629 (1819).

Thus, by failing to permit an answer and opposition to the petition before issuance of the Writ of Mandamus, the Second Circuit has both ignored the

explicit requirements of Rule 21(b) of the Federal Rules of Appellate Procedure, and deprived Fonar of the due process of law to which it is entitled.

The failure to follow Rule 21(b) matters here. First, had Fonar been afforded the opportunity to answer and oppose the petition,[7] it would have shown the Second Circuit that mandamus could not properly be granted here, citing the decisions of this Court which hold that the extraordinary Writ of Mandamus is to be used only in exceptional circumstances amounting to a judicial usurpation of power or clear abuse of discretion. E.g., Gulfstream Aerospace Corporation v. Mayacamas Corporation, 485 U.S. 271, 289 (1988). And Fonar would have shown that this Court's holding is followed in other circuits, and that it is in conflict with the issuance of the Writ of Mandamus here by the Second Circuit. See point IIA and IIB, below, and the cases cited there.

Second, Fonar would have shown that, by issuing its Writ of Mandamus, the Second Circuit had substituted its own discretion on a matter relating to discovery and protective orders, matters which are committed to the sound discretion of the trial court by Rule 26(c) of the Federal Rules of Civil Procedure. And the fact is that the district courts regularly have exercised discretion to limit disclosures of highly

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[7] After issuance of the Writ, because of the importance of the issue to Fonar's business, Fonar sought to present the arguments to the Second Circuit by seeking leave to move to re-argue. Fonar's request for leave was denied. (App. 27a-29a).

sensitive competitive information to only lawyers and experts See Part IIB, below.

And finally, though we didn't then know it was necessary, we would have quoted to the Second Circuit the following passage:

> "Courts should sanction deviation from the letter of the Rules [of Appellate Procedure] only on the most compelling showing that the purposes [of the Rules of Appellate Procedure] are served." Orbitec Corporation v. Schindler, 520 F.2d 358 (2d Cir. 1975).

No such showing was -- or could be -- made.

II: The Court of Appeals' Decision Conflicts With Precedents of This Court and With Decisions of Other Courts of Appeals.

The violation of Rule 21(b) of the Federal Rules of Appellate Procedure and Fonar's right to due process is so clear, that that alone justifies issuance by this Court of its writ of certiorari to the Second Circuit. But further, upon issuance of that writ -- because, separate and apart from the procedural failure, the issuance of the writ of mandamus was unauthorized -- rather than simply remanding this case to the Second Circuit to hear the argument they denied to Fonar and the District Court, this Court should summarily reverse the Second Circuit's writ of mandamus.

A. Although this Court has several times stated the circumstances under which issuance of writs of mandamus is appropriate, the Second Circuit in its order

below has apparently redefined those circumstances. It has in effect substituted its discretion for the discretion delegated to and exercised by the District Court under the Federal Rules of Civil Procedure also established by this Court. It is, therefore, important that the prescription for use of the Writ of Mandamus be reaffirmed, to assure compliance with this Court's direction and to avoid conflicts in the circuits.

This Court's most recent expression of the principles governing the use of a writ of mandamus came in Mallard v. U.S. District Court for Southern District of Iowa, 490 U.S. 296, 104 L.Ed.2d 318, 109 S.Ct. 1814 (1989). In that case, citing earlier cases, this Court set down three basic tests, all of which had to be met for issuance of a writ of mandamus. The first required the finding of a usurpation of power, or a clear abuse of discretion; the second requires petitioners to show that they lack an adequate alternative to obtain the relief they believe they are entitled to; and the third is to demonstrate that their right to issuance of the writ is clear and indisputable. Gulfstream Aerospace Corporation v. Mayacamas Corporation, supra, Kerr v. United States District Court, 426 U.S. 394, 402, 48 L.Ed.2d 925, 96 S.Ct. 2119 (1976); Bankers Life & Casualty Co. v. Holland, 346 U.S. 379, 383 98 L.Ed. 106, 111, 74 S.Ct. 145 (1953); De Beers Consolidated Mines, Ltd. v. United States, 325 U.S. 212, 217, 89 L.Ed. 1566, 65 S.Ct. 1130 (1945).

B. These principles have been followed in the First Circuit, In re Insurers Syndicate for Joint Underwriting, etc., 864 F.2d 208, 211 (1st Cir. 1988)("[A] mandamus petition must exhibit 'clear entitlement to the relief requested,'... that is, the right to the writ must be 'clear

and indisputable.' It is precisely for that reason that mandamus, as a general rule, will not issue to control exercises of judicial discretion."(citations omitted)); the Third Circuit, In re Bankers Trust Co., 775 F.2d 545, 547 (3rd Cir. 1985)("Where a matter is committed to the discretion of the district court, and therefore it cannot be said that a litigant's right to a particular result is 'clear and indisputable', a writ of mandamus will only be granted for clear error of law."); the Fifth Circuit, Weber v. Coney, 642 F.2d 91, 92 (5th Cir. 1981)("Mandamus is an extraordinary remedy that lies only to confine a lower court within its jurisdiction or to compel it to perform ministerial, not discretionary functions. ... We have uniformly declined to issue the writ except upon a strong showing of necessity for its use." (citations omitted)); the Tenth Circuit, Barclaysamerican Corp. v. Kane, 746 F.2d 653, 654 (10th Cir. 1984)("Mandamus may not be used as a substitute for appeal (Will v. United States, [389 U.S. 90, 97, 19 L.Ed.2d 305, 88 S.Ct. 269, 289 (1967)]), and 'as a general rule appellate review should be postponed until after final judgment has been rendered by the trial court.'" [citing Allied Chemical Corp. v. Daiflon, Inc., 449 U.S. 33, 35, 101 S.Ct. 188, 190, 66 L.Ed. 2d 193 (1980)).

The decision of the Second Circuit is clearly in conflict with the decisions of this Court and the decisions of the various circuits, cited above.[8] First, it

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[8] Indeed, the Second Circuit's issuance of the writ of mandamus is contrary to its own previously stated rule which, at least in the past, faithfully followed the decisions of this Court. UAW v. National Caucus of Labor Committees, 535 F.2d 323, 325 (2d Cir. 1975).

is clear that the supervision of discovery and the issuance of protective orders is squarely within the power conferred on the district court. Indeed, this Court promulgated Rule 26 of the Federal Rules of Civil Procedure, particularly Subsection (c) and the subparts thereof which expressly confer on the district court broad discretion to supervise discovery.

By establishing a separate category for Specially Confidential Information in which would be included the highly confidential commercial information which could be misused by competitors such as Respondents, the District Court was operating squarely within Rule 26(c), Subparts: (2), prescribing "that the discovery may be had only on specified terms and conditions, including a designation of the time or place"; (5), providing "that discovery be conducted with no one present except persons designated by the Court"; and (7), providing "that a trade secret or other confidential research, development, or commercial information not be disclosed or be disclosed only in a designated way".

It is also clear and well established that setting up a separate category for Specially Confidential Information for viewing by designated persons, usually counsel and excluding parties, does not constitute a "clear abuse of discretion"[9] as required for issuance of

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The order below, may signal a dangerous departure allowing interlocutory appellate review of orders through the improper use of mandamus.

[9] This Court has held that an ordinary abuse of discretion does not justify issuance of a writ of discovery mandamus. Will v. Calvert Fire Ins. Co., 437

a writ of mandamus. Indeed it is common to have such a protective order when trade secrets or confidential information is involved. E.g., Brown Bag Software v. Symantec Corp., 960 F.2d 1465 (9th Cir. 1991), cert. denied subnom., BB Asset Management, Inc. v. Symantec Corp., -U.S.-, 121 L.Ed.2d 141, 113 S.Ct. 198 (1992)(even prohibiting view of documents by inside counsel); Quotron Systems Inc. v. Automatic Data Processing, Inc., 141 F.R.D. 37, 40 (S.D.N.Y. 1992)("[p]rotective orders that limit access to certain documents to counsel and experts only are commonly entered in litigation involving trade secrets and other confidential research, development or commercial information."); Davidson Pipe Company v. Laventhol & Horwath, 120 F.R.D. 455, 465 (S.D.N.Y. 1988)(the "better approach"); Multi-Core, Inc. v. Southern Water Treatment Co., 139 F.R.D. 262, 264 (D. Mass. 1991); United States v. Davis, 131 F.R.D. 391, 400 (S.D.N.Y. 1990); GTE Products Corp. v. GEE, 112 F.R.D. 169, 171-72 (D. Mass. 1986); Culligan v. Yamaha Motor Corp., 110 F.R.D. 122, 125-126 (S.D.N.Y. 1986); Stillman v. Vassileff, 100 F.R.D. 467, 468 (S.D.N.Y. 1984); Chesa International Ltd. v. Fashion Associates, Inc., 425 F.Supp 234 (S.D.N.Y.), aff'd without op., 573 F.2d 1288 (2d Cir. 1977).

By establishing this separate category for Specially Confidential Information, the District Court ordered that all of the documents so categorized be produced to Respondents, but that access to them be had only by counsel and by experts hired presumably for the express purpose of evaluating that very material; therefore, Respondents would not be prejudiced. Thus, the

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U.S. 655, 57 L.Ed. 504, 98 S.Ct. 2552 (1978).

District Court was exercising the discretion expressly granted to it by Fed. R. Civ. P. 26(c)(7). And the District Court was best situated to exercise that discretion. "Decisions regarding the scope of discovery ... and the protections to be afforded parties in the discovery process, are ordinarily left to the informed judgment of the district judge, who is in a unique position to gauge and balance the potentially conflicting interests at stake." In re Recticel Foam Corp., 859 F.2d 1000, 1006 (1st Cir. 1988). Indeed, the District Court had taken testimony from Respondents and was aware of their prior behavior in utilizing Fonar's maintenance software and schematic drawings despite the issuance of a restraining order prohibiting such use. Under those circumstances, the District Court was fully justified in its determination to prohibit such Respondents from viewing the highly sensitive, confidential commercial information.

Consequently, not having shown a usurpation of power or a clear abuse of discretion, Respondents necessarily failed to establish a clear and indisputable right to the issuance of the Mandamus.

But even further, Respondents failed to show the Second Circuit that Mandamus was the only, or even best, avenue of relief. First of all, their right to an appeal after conclusion of the case, remained. Bankers Life & Casualty Co. v. Holland, supra.

Second, the District Court, itself, provided in its Order denying Respondents' Motion for Reconsideration, the opportunity for Respondents to return and seek revision of the Confidentiality/Protective Order, if after

the discovery progressed, it could be shown to be necessary. (App. 42a-44a).

Thus, the requirement that mandamus be the only alternative as a prerequisite for its issuance, was also ignored by the Second Circuit.

Last, Respondents failed to show the Second Circuit that there was any true need to strike the category of Specially Confidential Information, by mandamus, or otherwise. Its concern was principally with the provisions relating to the method and timing for appointing experts retained by Respondents who could examine the material and to the imminence of the trial date.[10]

What becomes clear from the principles of this Court and those expressed by the other circuits is that the Second Circuit in its order here, misused the extraordinary writ of mandamus without any explanation, by opinion, statement or otherwise. In so doing, it simply substituted its own discretionary judgment on discovery issues for that of the District Court. This Court, and the other circuits have recognized that, absent clear abuse, such issues are delegated to, and remain with the district court. Such a substitution of discretion is inappropriate and impermissible. Platt v. Minnesota Mining & Manufacturing Co., 376 U.S. 240, 245, 11 L.Ed.2d 674, 84 S.Ct. 769 (1964).

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[10] Since the Second Circuit ordered an adjournment of the trial, the District Court has informed counsel that the trial will not commence in 1993. In addition, Respondents have retained their expert.

CONCLUSION

The express requirements of the Federal Rules of Appellate Procedure cannot be allowed to be ignored. For violating Rule 21(b), alone, this Court's Writ of Certiorari to the Second Circuit should issue. But, further, the extraordinary Writ of Mandamus should remain extraordinary, and the Second Circuit's use of that writ where none of the three pre-requisites for its issuance exists, should be reversed.

Dated: New York, New York
August 23, 1993

Respectfully submitted,

SHIFF & TISMAN

By: _____
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UNITED STATES COURT OF APPEALS
SECOND CIRCUIT
United States Courthouse
Foley Square
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Elaine B. Goldsmith
Clerk

June 1, 1993

TO: James M. Furey, Esq.
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RE: **In Re: Deccaid Services**
DOCKET NO.: **93-3058**

Your **Petition for Writ of Mandamus** has been received and filed. It has been added to the substantive motion calendar for **Tuesday, June 8, 1993 ***ON SUBMISSION*****.

There will be no oral argument on this motion.

Opposing papers, will not be accepted unless an order of the court directs that an answer be filed. (Federal Rules of Appellate Procedure 21 [b]).

Very truly yours,

ELAINE B. GOLDSMITH, Clerk
by: Chandella Gaillard

s/Chandella Gaillard
Deputy Clerk

cc: Hon. Leonard D. Wexler, D.J.
Laurence Shiff, Esq.

EDNY
91-CV-3805
WEXLER

JMW UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

At a stated Term of the United States Court of Appeals for the Second Circuit, held at the United States Courthouse in the City of New York, on the 9th day of June, one thousand nine hundred and ninety-three.

PRESENT: Honorable James L. Oakes,
Honorable John M. Walker, Jr.
Honorable Harlington Wood, Jr.

Circuit Judges.

In Re: DECCAID SERVICES, INC., STEVEN STECKLER, PETER KIM, LUIGI TREGLIA MEDICAL FUNDING OF AMERICA, INC. DAVID SMITH and MORTON MACKOF,

Petitioners.

FONAR CORPORATION,

Plaintiff,

- v. -

ORDER
No. 93-3058

DECCAID SERVICES, INC., STEVEN STECKLER, PETER KIM, LUIGI TREGLIA MEDICAL FUNDING OF AMERICA, INC. DAVID SMITH and MORTON MACKOF,

Defendants.

United States Court of Appeals -- Second Circuit
Filed June 9, 1993
Elaine B. Goldsmith, Clerk

Petition for writ of mandamus and motion for stay of trial from the United States District Court for the Eastern District of New York.

This cause came on to be heard on the transcript of record from the United States District Court for the Eastern District of New York (Wexler, J.), and was submitted.

UPON CONSIDERATION WHEREOF, it is now hereby ordered, adjudged, and decreed that the petition for writ of mandamus is GRANTED and the motion for stay of trial DENIED.

No. 93-3058.

The petition for writ of mandamus is granted. The court directs the changes to the Confidentiality and Protective Order set forth in Exhibit A to this order.

The motion for a stay of trial is denied. However, the court orders an adjournment upon the trial date of not less than 60 days from the current July 20, 1993 trial date.

SO ORDERED.

s/James L. Oakes
Hon. James L. Oakes, U.S.C.J.

s/J.M. Walker
Hon. John M. Walker, Jr., U.S.C.J.

s/Harlington Wood, Jr.
Hon. Harlington Wood, Jr., U.S.C.J.

INSERTS FOR CONFIDENTIALITY AND PROTECTIVE ORDER

INSERT A

, subject to the provisions of paragraph 5,

INSERT B

5. At least ten (10) days prior to the initial disclosure to an Independent Advisor of the Producing Party's Confidential Information, Counsel of Record for the Receiving Party shall notify in writing Counsel of Record for the Producing Party of the name, address and employment affiliations of the Independent Advisor. If Counsel of Record for the Producing Party objects to the disclosure of Confidential Information to an Independent Advisor selected by the Receiving Party, the Counsel of Record for the Producing Party shall notify the Counsel of Record for Receiving Party of such objection within five (5) days after the date it receives notice of the Receiving Party's choice of the Independent Advisor. The parties shall promptly confer in good faith in an attempt to resolve any dispute with respect to the Receiving Party's selection of an Independent Advisor. If the parties fail to resolve any such dispute within three (3) days after the date upon which Producing Party's objection is received, the Producing Party may, within seven (7) days after the date it notices its objection to the Receiving Party, move before the District Court for a protective order challenging the Receiving Party's proposed disclosure of Confidential Information to the Independent Advisor. If the Producing Party properly files a motion for a protective order, the Receiving Party shall file opposing papers within five (5) days and shall not disclose Confidential Information to the Independent Advisor, except that if the court has not ruled upon the motion

within fourteen (14) days after it is filed, the Receiving Party may disclose Confidential Information to the Independent Advisor.

6. All notices or objections pursuant to paragraph 5 shall be made in writing between counsel and shall be promptly faxed. The times for all notices and objections shall be strictly adhered to and failure of the Producing Party to object within the time period designated shall be deemed a waiver of any objection. Saturdays, Sundays and holidays shall not be exempt from the calculation of time for purposes of this Stipulation.

INSERT C

CONFIDENTIAL -- This document

INSERT D

including the exhaustion of all appeals,

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

FONAR CORPORATION,	)	
Plaintiff,	)	Civil Action No. CV-91-3805 (Wexler, J.)
-against-	)	
	)	ORDER
DECCAID SERVICES, INC., EQUI MED LEASING, INC., MEDICAL FUNDING OF AMERICA, INC., DAVID SMITH, MORTON MACKOF, STEPHEN STECKLER, LOUIS TREGLIA and PETER KIM,	)	
Defendants.	)	

CONFIDENTIALITY AND PROTECTIVE ORDER

WHEREAS, documents or information proprietary to parties or witnesses containing confidential financial, technical or commercial information and/or trade secrets not publicly disclosed or generally known (hereinafter individually and collectively referred to as "Company Secrets") may be produced or disclosed in the course of discovery proceedings in this action; and

WHEREAS, disclosure of Company Secrets would cause undue burden, expense, injury or oppression to a party or witness, and good cause exists for entry of a confidentiality and protective order pursuant to Rule 26, Fed. R. Civ. P.; and

WHEREAS, the Court wishes the parties to proceed expeditiously with discovery in this action without burdening the Court with unnecessary procedural litigation;

IT IS HEREBY STIPULATED AND AGREED that the following rules and procedures shall govern the disclosure of confidential and proprietary information in this action:

1. Any information disclosed by a party or a non-party witness (the "Producing Party") in this litigation that the Producing Party reasonably believes to constitute a trade secret or other confidential or proprietary information may be designated as "Confidential Information" by the Producing Party. ~~In addition, a Producing Party may (subject to the provisions of paragraph 2 below) designate certain information as "Specially Confidential Information". The "Specially Confidential", as used herein, may also be referred to as "Confidential – For Counsel Only", or "Confidential – Attorneys' Eyes Only". All references to "Specially Confidential" below shall be deemed to include these other equivalent references.~~

~~2. The category of "Specially Confidential Information" is intended to be limited to that confidential information which, if disclosed to another party herein or to the public at large, would compromise or threaten important business interests of the Producing Party.~~

3. Confidential or Specially Confidential Information disclosed to a party (the "Receiving Party") in the course of this litigation: (a) shall not be used by the Receiving Party for any purpose other than the prosecution or defense of this litigation; and (b) shall

not be disclosed by the Receiving Party except in compliance with the terms hereof. This provision shall survive termination of a Receiving Party's involvement in this litigation for a period of ten years.

4. Subject to the other terms of this Stipulation, Confidential Information may be made available by a Receiving Party only to the following persons for use in connection with their duties in the course of this litigation:

(a) attorneys of record herein and other members of, or attorneys regularly employed by, their firm(s) who are working on this litigation ("Counsel of Record");

(b) persons regularly employed by such attorneys or their firm(s), working under the supervision of Counsel of Record in connection with this litigation;

(c) persons who have been retained by the Receiving Party specifically to provide expert assistance or advice in this litigation (collectively referred to as "Independent Advisors"), and persons regularly employed by them, to the extent necessary when working under the supervision of such an Independent Advisor in connection with this litigation; INSERT A

(d) the officers, directors and employees of the Receiving Party with responsibilities relating to the litigation or assisting counsel in the conduct of the litigation;

(e) the Court and its employees;

(f) court reporters or stenographers, or other

persons preparing transcripts of testimony under the supervision of a court reporter or stenographer, who have been provided with a copy of this Stipulation and have agreed to abide by its terms; and

(g) any other person upon such terms and conditions as the parties may agree or as the Court may hereafter by order direct; provided that any person to whom Confidential ~~or Specially Confidential~~ Information is disclosed ~~pursuant to subparagraph (c) above~~ shall, prior to such disclosure, execute a declaration under penalty of perjury in the form annexed hereto as Exhibit A; ~~and~~ that ~~any person to whom Confidential Information is disclosed pursuant to subparagraph (d) above shall, prior to any such disclosure, execute a declaration under penalty of perjury in the form annexed hereto as Exhibit B.~~ Such declarations shall be retained by Counsel of Record making such disclosure, and shall be made available to Counsel of Record for the Producing Party upon a showing of good cause.

~~5. Specially Confidential Information may be disclosed only to the persons described in subparagraphs 4(a), (b), (e), (f) and (g) above, and to the persons described in subparagraph 4(c) above~~ subject to ~~the provisions of Paragraph 6 below and the other terms hereof.~~

INSERT B

~~6. At least fifteen (15) days prior to the disclosure of Specially Confidential Information to any Independent Advisor, Counsel of Record for the Receiving Party shall inform Counsel of Record for the~~

Producing Party in writing of the name, address and usual employment affiliation of the Independent Advisor, and shall furnish therewith (a) a copy of a current resume or curriculum vitae of the Independent Advisor, (b) a list of all employment, consulting relationship and/or engagements in which the Independent Advisor is currently involved, or has been involved for the preceding three years, (c) a description of the nature of the Specially Confidential Information to be disclosed (e.g., sales information or development information), sufficient in detail to allow the Producing Party to determine in good faith whether to object to disclosure of such information to the Independent Advisor, and (d) a copy of an executed declaration made by the Independent Advisor in the form annexed hereto as Exhibit A. Such disclosure shall not be a waiver of any otherwise applicable privilege or of any rights of the Producing Party pursuant to Rule 26(b), Fed. R. Civ. P.

7. If the producing Party objects to the disclosure of Specially Confidential Information to an Independent Advisor, it shall so notify the Receiving Party in writing within fourteen (14) days of the identification by the Receiving Party of the Independent Advisor. The parties shall then confer in good faith in an attempt to resolve the dispute. If the parties are unable to do so, and the Producing Party shall move within twenty-five (25) days of its objection for an appropriate protective order. During the period to confer on such an objection, disclosure shall not be made by the Receiving Party to any Independent Advisor to whom the Producing Party has objected pending resolution of the Producing Party's objection. If the Producing Party files a motion for an appropriate protective order within the time period allowed above, no such disclosure shall be made until resolution of the

~~motion. The Producing Party's burden of going forward with such a motion shall not alter any otherwise applicable burden of proof with respect to the substance of the motion.~~

~~8. A Producing Party's failure to object to disclosure to an Independent Advisor at the time of his or her identification shall not preclude the Producing Party from later asserting, in writing, a good faith objection to the further availability of Confidential or Specially Confidential Information to such person. A Producing Party's assertion of an objection pursuant to this paragraph shall not, in itself, require the Independent Advisor to return, or to cease working with, any Confidential or Specially Confidential Information previously provided to him or her, but the Receiving Party shall make no further disclosure of Confidential or Specially Confidential Information to the Independent Advisor following receipt of the objection until fifteen (15) days thereafter. The parties shall confer in good faith to attempt to resolve any objection asserted pursuant to this paragraph. If the parties are unable to do so, and the Producing Party continues to object, the Producing Party shall move within fourteen (14) days of its objection for an appropriate protective order. If a Producing Party files a motion for an appropriate protective order within the time period allowed above, no such further disclosure shall be made until the motion is resolved in a manner permitting the disclosure.~~

9. Any document disclosed in this litigation containing Confidential Information and all copies thereof ("Confidential Documents") shall be so designated by the Producing Party by marking each page thereof as "CONFIDENTIAL". ~~Any document~~

~~disclosed in this litigation containing Specially Confidential Information and all copies thereof ("Specially Confidential Documents") may be so designated by the Producing Party by marking each page thereof substantially as follows: "SPECIALLY CONFIDENTIAL," "CONFIDENTIAL -- FOR COUNSEL ONLY", or "CONFIDENTIAL -- ATTORNEY'S EYES ONLY".~~

10. If copies of documents are not provided to the Receiving Party prior to inspection, the Producing Party need not mark the documents prior to initial inspection. ~~For purposes of such an initial inspection and until copies are provided, all documents shall be considered "Specially Confidential".~~ However, any copies provided to the Receiving Party must be marked with the appropriate notice to be treated as Confidential ~~or Specially Confidential.~~

11. In the event that (pursuant to the other terms hereof) Confidential ~~or Specially Confidential~~ Information is disclosed or discussed in a deposition conducted herein, any deposition transcript or transcript excerpt containing or referring to such information and all copies thereof ~~("Confidential Excerpts" and "Specially Confidential Excerpts", respectively),~~ may be so identified by the Producing Party on the record of the deposition. If the Producing Party requests "Confidential" ~~or "Specially Confidential"~~ treatment on the record of the deposition, for a period of thirty-one (31) days following receipt of the transcript of the deposition, the Receiving Party shall treat the transcript in its entirety as so designated; in that event, the Producing Party shall, within thirty (30) days of its receipt of the transcript, serve the Receiving Party with a written confidentiality designation, indicating by page

and line number those portions of the transcript or transcript excerpts it deems Confidential ~~or Specially Confidential.~~ Subject to any later agreement or order, any portion of a deposition which is not designated by the Producing Party within thirty days as Confidential ~~or Specially Confidential~~ by timely written designation will be treated as non-confidential information.

12. All interrogatories and interrogatory answers (or portions thereof), and all requests for admission and responses thereto (or portions thereof), that contain Confidential ~~or Specially Confidential~~ Information (collectively referred to as "Confidential Discovery Pleadings" ~~or "Specially Confidential Discovery Pleadings", respectively)~~ may be so designated by the Producing Party at the time of service and by prominently typing on a cover page thereof the appropriate notice in the following form:

> ~~"Confidential [or Specially Confidential] — This document contains material designated as Confidential [or Specially Confidential] by agreement of the parties to this lawsuit. Access to that material is limited by the parties' agreement. Any unauthorized access or use may constitute a violation of that agreement."~~

~~In the event that the Court enters this Confidentiality Stipulation as an order, the notice shall read:~~

INSERT C

> ". contains material designated as Confidential ~~[or Specially Confidential]~~ under the terms of an Order entered by the Court in this action. Access to the information in this document is limited by that Order, and any unauthorized access or

use may constitute a violation of the Court's Order."

Each response to an interrogatory or request for admissions (or portion thereof) for which the Producing Party seeks Confidential ~~or Specially Confidential~~ treatment must be separately designated by typing, immediately before each such response, "CONFIDENTIAL:" ~~or "SPECIALLY CONFIDENTIAL:"~~ or the equivalent language referred to above.

~~13. In addition to and notwithstanding any other provisions of this Confidentiality Stipulation, the following shall not be retained or stored at the regular business premises of the actual Receiving Party: (a) all Confidential Documents (produced in discovery), Confidential Excerpts and Confidential Discovery Pleadings (collectively, "Confidential Material"); (b) all Specially Confidential Documents (produced in discovery), Specially Confidential Excerpts and Specially Confidential Discovery Pleadings (collectively, "Specially Confidential Material"); and (c) all portions containing Specially Confidential Information of all Confidential Filings and sealed pleadings (as described below).~~

14. All documents and pleadings of any nature containing Confidential ~~or Specially Confidential Information,~~ and all copies thereof, shall be maintained by any person qualified to receive and to retain them under the terms of this Stipulation in a secure manner, intended to minimize any risk of the inadvertent disclosure thereof.

15. Additionally, Counsel of Record for the Receiving Party shall maintain a complete record of all ~~Specially~~ Confidential Material furnished to any person who is not a member of the firm(s), or otherwise

regularly employed by Counsel of Record. Such record shall show the date upon which each item of ~~Specially~~ Confidential Material was furnished to any such person. Such records shall be made available to Counsel of Record for the Producing Party upon a showing of good cause.

16. Any person to whom Confidential ~~or Specially Confidential~~ Information is disclosed (subject to the other terms hereof) shall treat that information in a manner reasonably calculated to preserve the appropriate degree of confidentiality of such information.

~~17. Subject to the other terms hereof, Confidential or Specially Confidential Information may be disclosed by a Receiving Party in pretrial depositions, to the extent that its use is necessary, only at the deposition(s) of:~~

~~(a) present directors, officers or employees of the Producing Party;~~

~~(b) an author, addressee or other person indicated as a lawful recipient of a Confidential or Specially Confidential Document;~~

~~(c) a person clearly identified in the Confidential or Specially Confidential Information, or in prior discovery, or by the deponent in his or her deposition (without prior disclosure of the specific Confidential or Specially Confidential Information) as a source of the specific Confidential or Specially Confidential Information to be disclosed at the deposition (provided that prior to any disclosure under this subparagraph (d), notice must be given to the Producing Party of the specific information so that it has a fair opportunity to seek a protective order, which~~

~~notice may be given at the time of the deposition; and the parties agree to cooperate, and if necessary to defer any such disclosure to allow the Producing Party to seek such a protective order without delay);~~

~~(d) an Independent Advisor otherwise qualified under this Confidentiality Stipulation to receive such Information; or~~

~~(e) any person for whom prior authorization is obtained from the Producing Party or the Court.~~

17. At the request of a Producing Party, persons not entitled to receive Confidential ~~and/or Specially Confidential~~ Information shall be excluded from any portion of a deposition at which such information is or is likely to be, discussed or disclosed.

18. Any pleading or other document containing a Producing Party's Confidential ~~or Specially Confidential~~ Information shall only be filed with the Court under seal, except that to the extent that the Receiving Party can, without undue burden or expense, segregate the Producing Party's Confidential ~~or Specially Confidential~~ Information from non-confidential information within the material it intends to file, it shall do so, e.g., by segregating the Producing Party's Confidential ~~or Specially Confidential~~ Information in a separate "Confidential Annex" or "Schedule of Confidential Exhibits" (a "Confidential Filing").

INSERT D

19. Within sixty (60) days of the conclusion of this action, all written materials, other than work product, containing Confidential ~~and Specially Confidential~~ Information disclosed in that action and

that is in the possession, custody or control of the Receiving Party or its agents shall be destroyed or turned over to Counsel of Record for the Producing Party. All persons who have received any Confidential ~~or Specially Confidential~~ Information in the course of that action shall provide a declaration under penalty of perjury stating that all such written materials, other than work product, containing Confidential ~~or Specially Confidential~~ Information in their possession, custody or control have been destroyed or turned over to Counsel of Record for the Producing Party. The provisions of this Stipulation restricting the communication and use of Confidential ~~and Specially Confidential~~ Information continue to be binding after the conclusion of this litigation, except: (a) there is no restriction on information introduced into evidence on the public record or otherwise disclosed publicly in Court, and (b) a party may seek written permission from the Producing Party to disclose such information or an order of the Court to dissolve or modify this Stipulation.

20. If Counsel of Record for the Receiving Party at any time objects to the designation or continued treatment of certain information as Confidential ~~or Specially Confidential~~ by the Producing Party, it shall so notify Counsel of Record for the Producing Party, and the parties shall then confer in good faith to attempt to resolve the dispute. If Counsel of Record shall be unable to agree, following such consultation, as to whether the information is appropriately designated, it shall be the responsibility of the Receiving Party to move for an Order requiring redesignation of the information in dispute. Unless and until such an Order is obtained, the original designation by the Producing Party shall stand.

21. Nothing herein shall be deemed to restrict in any way a Producing Party's own use of Confidential ~~or Specially Confidential~~ Information disclosed by it in this litigation.

22. Inadvertent disclosure of any document or other information during discovery in this litigation, or inadvertent disclosure of Confidential ~~or Specially Confidential~~ Information without appropriate designation, shall be without prejudice to any claim that such document or other information is privileged, or Confidential ~~or Specially Confidential~~, and no party shall be held to have waived any rights by such inadvertent disclosure.

23. The designation of any material in accordance with this Stipulation as constituting or containing Confidential ~~or Specially Confidential~~ Information is intended solely to facilitate the preparation and trial of this litigation. A party's treatment of such material as confidential in compliance with this Stipulation is not an admission or agreement by the party that the material constitutes or contains confidential or proprietary information.

24. This Stipulation and the procedures set forth herein shall not affect the rights of the parties to object to discovery on any grounds, nor shall it relieve a party of the necessity of proper response or objection to discovery requests, nor shall it preclude any party from seeking further relief or protective orders from the Court as may be appropriate under the Federal Rules of Civil Procedure, Federal Rules of Evidence or any other statute, rule or authority.

~~25. Nothing herein shall be construed to preclude any party from asserting that some information is of~~

~~such a highly sensitive nature that its disclosure is overly burdensome and oppressive under the circumstances.~~

~~26. Notwithstanding any other provision herein, proprietary computer software programs and proprietary schematic diagrams for components of the systems at issue herein shall be made available only to persons eligible to receive Specially Confidential Information and, initially, only for inspection under circumstances of controlled access. Following such inspection, and upon a showing of good cause by the Receiving Party to require the physical production of copies of such material, the Receiving Party and Producing Party shall confer in good faith to determine whether sufficient restrictions on such production satisfactory to the Producing Party, including, by way of example only, restrictions on further reproduction and the retention of such material for a limited period of time, can be agreed upon to permit such production to occur.~~

~~27. Notwithstanding any other provision herein, if documents constituting or revealing source code information for computer software programs are to be disclosed by any party, such disclosure, if any, shall occur only under restrictions reflecting confidentiality in addition to those set forth herein to govern Specially Confidential Information, including, but not limited to, inspection under circumstances of controlled access.~~

28. Nothing herein shall be construed to affect in any way the evidentiary admissibility of any document, testimony, or other matter at trial. The parties agree to confer in good faith and well in advance concerning procedures for the mutual preservation of confidentiality, as far as possible, in the course of any court hearing, proceeding or trial to be

held herein. The designation of certain information as Confidential ~~or Specially Confidential~~ pursuant to this Stipulation shall not, for that reason alone, bar its introduction or use at trial pursuant to such terms and conditions as the Court may deem appropriate, consistent with the need for a complete and accurate record of the proceedings. At the same time, nothing herein shall preclude a party from asserting an objection to the introduction or use of Confidential ~~or Specially Confidential~~ Information at trial on the grounds of its confidentiality.

29. The parties shall cooperate in good faith to preserve, as far as possible, the confidentiality of all sealed pleadings or other non-public material on appeal, including the joint filing of any necessary motions in the district or appellate court(s). If the parties are unable, despite their efforts, to preserve the confidentiality of such pleadings or other non-public material on appeal, a party shall not be precluded for that reason alone from asserting that a particular item, not previously disclosed publicly, should constitute part of the record on appeal; the parties shall, however, confer in good faith to attempt to agree whether such an item is necessary for inclusion in the record on appeal, and in the event they are unable to so agree, the Producing Party may seek the intervention of the appropriate court.

30. Nothing herein shall be construed to preclude any party from utilizing in any manner any information that it presently lawfully possesses, or which lawfully comes into its possession outside the discovery process in this litigation.

31. Nothing herein shall preclude any party from applying to the Court for any modification of the terms

provided herein, as it may deem appropriate under the circumstances; provided, however, that prior to such application, the parties involved shall make every effort to resolve the matter by agreement.

Dated: May 11, 1993
Hauppauge, New York

SO ORDERED:

s/Leonard D. Wexler
United States District Judge

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

FONAR CORPORATION,

Plaintiff,

against : CV 91 3805
(Wexler, J.)

DEGGAID SERVICES, INC., EQUI MED LEASING, INC., MEDICAL FUNDING OF AMERICA, INC., DAVID SMITH, MORTON MACKOF, STEPHEN STECKLER, LOUIS TREGLIA and PETER KIM,

Defendants.

DECLARATION RESPECTING CONFIDENTIALITY

_____, under the pains and penalties of perjury, declares:

1. I reside at _____ in the City of _____ and State of _____.

2. I have read and I understand the provisions of the Confidentiality Stipulation in this litigation. I hereby promise and agree to be bound by its terms, and promise and agree to maintain, pursuant thereto, the confidentiality of all information furnished to me which has been designated as Confidential Information under that Stipulation. I understand that these promises are conditions precedent to my receipt of any

such information.

3. I hereby submit to the jurisdiction of the United States District Court for the Eastern District of New York for the purpose of enforcing the terms of this Declaration.

Executed under penalty of perjury under the laws of the United States on _____, 199_.

_____

(Declarant's Signature)

MANDATE

JMW UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT
EDNY
CV 91 3805
WEXLER

At a stated Term of the United States Court of Appeals for the Second Circuit, held at the United States Courthouse in the City of New York, on the 9th day of June, one thousand nine hundred and ninety-three.

PRESENT: Honorable James L. Oakes,
Honorable John M. Walker, Jr.
Honorable Harlington Wood, Jr.

Circuit Judges.

In Re: DECCAID SERVICES, INC., STEVEN STECKLER, PETER KIM, LUIGI TREGLIA MEDICAL FUNDING OF AMERICA, INC. DAVID SMITH and MORTON MACKOF,

Petitioners.

FONAR CORPORATION,

Plaintiff,

- v. -

ORDER
No. 93-3058

DECCAID SERVICES, INC., STEVEN STECKLER, PETER KIM, LUIGI TREGLIA MEDICAL FUNDING OF AMERICA, INC. DAVID SMITH and MORTON MACKOF,

Defendants.

United States Court of Appeals -- Second Circuit
Filed June 9, 1993
Elaine B. Goldsmith, Clerk

Petition for writ of mandamus and motion for stay of trial from the United States District Court for the Eastern District of New York.

This cause came on to be heard on the transcript of record from the United States District Court for the Eastern District of New York (Wexler, J.), and was submitted.

UPON CONSIDERATION WHEREOF, it is now hereby ordered, adjudged, and decreed that the petition for writ of mandamus is GRANTED and the motion for stay of trial DENIED.

ISSUED AS MANDATE 6/14/93
No. 93-3058.

The petition for writ of mandamus is granted. The court directs the changes to the Confidentiality and Protective Order set forth in Exhibit A to this order.

The motion for a stay of trial is denied. However, the court orders an adjournment upon the trial date of not less than 60 days from the current July 20, 1993 trial date.

SO ORDERED.

s/James L. Oakes
Hon. James L. Oakes, U.S.C.J.

s/J.M. Walker
Hon. John M. Walker, Jr., U.S.C.J.

s/Harlington Wood, Jr.
Hon. Harlington Wood, Jr., U.S.C.J.

UNITED STATES COURT OF APPEALS
For the Second Circuit
No. 93-3058
June 18, 1993
Honorable J. Walker

In Re: Deccaid Services, Inc., Stephen Steckler, Peter Kim, Luigi Treglia, Medical Funding of America, Inc., David Smith and Morton Mackof,

Petitioners.

NOTICE OF MOTION FOR LEAVE TO MOVE AND MOTION FOR RECONSIDERATION OF WRIT OF MANDAMUS

Motion by:

Shiff & Tisman
280 Madison Avenue
New York, New York 10016
(212) 751-7500
Laurence Shiff, Esq.

Has consent of opposing counsel:
A. been sought? ☒ Yes ☐ No
B. been obtained? ☐ Yes ☒ No
Has service been effected? ☒ Yes ☐ No
Is oral argument desired? ☒ Yes ☐ No
(Substantive motions only)
Requested return date:
(See Second Circuit Rule 27(b))
Has argument date of appeal been set: Not applicable.
A. by scheduling order? ☐ Yes ☐ No
B. by firm date of argument notice? ☐ Yes ☐ No
C. If Yes, enter date: _____
Judge or agency whose order is being appealed:

EMERGENCY MOTIONS: MOTIONS FOR STAYS & INJUNCTIONS PENDING APPEAL

Has request for relief been made below? ☐ Yes ☒ No
(See F.R.A.P. Rule 8)
Would expedited appeal eliminate need for this motion? ☐ Yes ☐ No

If No, explain why not: The Source Code of Fonar Corporation will be disclosed to Petitioners themselves and Fonar's exclusive interests in that Source Code will be jeopardized unless this Court's order of June 9, which enabled such disclosure, is modified.

Will the parties agree to maintain the status quo until the motion is heard? ☐ Yes ☐ No

Brief statement of the relief requested: Leave to move to modify and modification of the Court's June 9 Order so that Plaintiff's Source Code, Schematic Drawings and Maintenance Software Manual will not be seen by Petitioners themselves, but only by experts authorized in accordance with the June Order.

By: (Signature of attorney)
Appearing for: (Name of party)
FONAR CORPORATION

s/ LAURENCE SHIFF
LAURENCE SHIFF (LS-2082)

June 16, 1993
Date

Appellant of Petitioner:
☐ Plaintiff ☐ Defendant
Appellee or Respondent:
☒ Plaintiff ☐ Defendant

ORDER

July 14, 1993

Kindly leave this space blank

IT IS HEREBY ORDERED that the motion

and it hereby is ~~granted~~ denied

s/JAMES L. OAKES

s/J.M. WALKER

s/HARLINGTON WOOD
Circuit Judge

7/14/93
Date

UNITED STATES COURT OF APPEALS
-- SECOND CIRCUIT --
FILED JULY 14, 1993
ELAINE B. GOLDSMITH, CLERK

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

----------x

FONAR CORPORATION, :

ORDER

Plaintiff, : 91 Civ. 3805 (LDW)

-against- :

DECCAID SERVICES, INC., EQUI MED LEASING, INC., MEDICAL FUNDING OF AMERICA, INC., DAVID SMITH, MORTON MACKOF, STEPHEN STECKLER, LOUIS TREGLIA and PETER KIM, :

Defendants.

----------x

FILED IN CLERK'S OFFICE/U.S. DISTRICT COURT/
E.D.N.Y./HAUPPAUGE OFFICE FEB 25 1992/
ENTERED 3/2/92 JB

ORDERED, that pending the final disposition of this action or further Order of this Court:

(1) all FONAR Schematics and FONAR Maintenance Software now filed with the Clerk of the Court shall be placed under seal by the Clerk and not made a part of the public record herein;

(2) in the event that any schematic, copy of a schematic or portion thereof, for the FONAR Beta 3000 and Beta 3000M MRI Scanner, is to be filed with the Court Clerk, that it be filed under seal;

(3) in the event that any Maintenance Software or portion thereof, for the Beta 3000 and Beta 3000M, is to be filed with the Court Clerk, that it be filed under seal;

(4) that for purpose of this Order, Maintenance Software is defined as all software for the FONAR MRI Scanner other than Operational Software;

(5) that for purpose of this Order, "Operational Software" is defined through a listing of menus for said software in the User's Manual for the Beta 3000 and Beta 3000M MRI Scanner; and

(6) defendants and their attorneys shall not in any manner, directly or indirectly, transfer the FONAR Schematics or FONAR Maintenance Software or copies thereof, or communicate, orally or in writing, any of the data contained in the FONAR Schematics or FONAR Maintenance Software, to any person other than for purposes directly related to the litigation of this case and any such person to whom such communication is made shall be specifically identified and shall be bound by the terms of this Order.

Dated: Hauppauge, New York
~~December 17, 1991~~
February 25, 1992

s/Leonard D. Wexler
The Honorable Leonard D. Wexler,
United States District Judge

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

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FONAR CORPORATION, Plaintiff, -against- DECCAID SERVICES, INC., EQUI MED LEASING, INC., MEDICAL FUNDING OF AMERICA, INC., DAVID SMITH, MORTON MACKOF, STEPHEN STECKLER, LOUIS TREGLIA and PETER KIM, Defendants.	AMENDED FINDINGS OF FACT AND CONCLU-SIONS OF LAW CV 91-3805 (Wexler, J.)

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WEXLER, District Judge

CONTEMPT

FINDINGS OF FACT

Pursuant to Rule 60(a) of the Federal Rules of Civil Procedure, this Court amends its Findings of Fact and Conclusions of Law issued on February 28, 1992 as follows:

1. This Court issued a Temporary Restraining Order on October 2, 1991, which clearly and unambiguously prohibited "defendants, its officers, directors, employees, shareholders, agents, and all persons in active concert and participation with them...from copying, reproducing, selling or using

plaintiff's copyrighted 'Maintenance Software' and 'Schematics' (copies of such schematics were filed under seal) for the Beta 3000 and Beta 3000M."

2. Plaintiff's "Maintenance Software" is all the software developed by Fonar which is placed on the disk of the Beta 3000 and Beta 3000M MRI Scanner other than the "Operational Software" on said disk.

3. The "Operational Software" is defined through a listing of menus for said software in the User's Manual for the Beta 3000 and Beta 3000M MRI Scanner.

4. Based on clear and convincing evidence defendants, Deccaid Services, Inc., Peter Kim, Louis Treglia, Stephen Steckler, and Equi Med Leasing, Inc., have knowingly and willfully used Fonar's "Maintenance Software" after the October 2, 1991 Order, despite the Court's order that they are prohibited from doing so.

5. The plaintiff has suffered the following damages as a result of the contemptuous conduct of defendants, Deccaid Services, Inc., Peter Kim, Louis Treglia, Stephen Steckler, and Equi Med Leasing, Inc.:

(a) attorneys' fees attributable to moving for and proving contempt claimed to be $79,889.00.

CONCLUSIONS OF LAW

1. This Court has jurisdiction over all parties and over the subject matter of the complaint and has venue with respect thereto pursuant to U.S.C. Title 17, § 101 et seq., 28 U.S.C. § 1338 and 28 U.S.C. § 1400(a).

2. "[C]ourts have inherent power to enforce compliance with their lawful orders through civil contempt." Shillitani v. United States, 384 U.S. 364, 370 (1966); Henry G. Spallone v. United States, et al., 493 U.S. 263 (1990). In addition, the Court has statutory power pursuant to 18 U.S.C. § 401 which states: "A court of the United States shall have power to punish by fine or imprisonment, at its discretion, such contempt of its authority."

The criteria for the adjudication of contempt are met when (1) the order the party allegedly failed to comply with is clear and unambiguous; (2) the proof of noncompliance is clear and convincing; and (3) the party has not diligently attempted in a reasonable manner to comply. See EEOC v. Local 638, Local 28 of Sheet Metal Workers' Int'l. Ass'n., 753 F.2d 1172, 1178 (2d Cir. 1985), aff'd, 478 U.S. 421 (1986); Powell v. Ward, 643 F.2d 924, 931 (2d Cir.) (per curiam), cert. denied, 454 U.S. 832 (1981). N.Y. State Nat. Organization for Women v. Terry, 886 F.2d 1339, 1351 (2d Cir. 1989).

This Court's order of October 2, 1991, was "clear and unambiguous" and the proof of non-compliance is "clear and convincing." The defendants, Deccaid Services, Inc., Peter Kim, Louis Treglia, Stephen Steckler and Equi Med Leasing, Inc., willfully and deliberately violated this Court's order of October 2, 1991 and are therefore adjudicated to be in contempt.

3. When the violation is willful, a court may award compensatory damages or fines to make an aggrieved party whole. Vuitton et Fils, S.A. v. Carousel Handbags, 529 F.2d 126 (2d Cir. 1979), Rule 43(c),

Civil Rules of the United States District Courts for the Southern and Eastern Districts of New York ("Civil Rules"). Compensatory damages may include attorneys fees, Fleischman Distilling Corp. v. Maier Brewing Co., 386 U.S. 714, 718 (1967); Rule 43(a), Civil Rules. Because of the adjudication of contempt, this Order directs the following procedures designed to avoid any future action in contempt of this Court's authority. See Superior Testers, Inc. v. Damco Testers, Inc., 336 F.Supp. 37, 40 (E.D. Louisiana 1971).

(1) The November 1, 1991 Order which states "That defendants, Deccaid Service, Inc., Stephen Steckler, Louis Treglia, Peter Kim, and Equi Med Leasing, Inc., are prohibited from servicing any Fonar MRI Scanners" is hereby modified so that defendants may make any repairs to Fonar MRI Scanners that do not require the use of Fonar Maintenance Software or Fonar Schematics pending the ultimate disposition of this action and applying this Order to all adjudicated contemnors and its officers, directors, employees, shareholders, agents, and all persons in active concert and participation with them;

(2) That all adjudicated contemnors including their officers, directors, employees, shareholders, agents, and all persons in active concert and participation with them, are prohibited from forming other business entities or acting with other individuals or business entities in servicing any Fonar MRI Scanners, so as to prevent the circumvention

or evading of this Court's Order prohibiting servicing of Fonar MRI Scanners through the use of Fonar Maintenance Software or Fonar Schematics.

(3) That no other defendant, its officers, directors, employees, shareholders, agents, and all persons in active concert and participation with them can service their Fonar MRI Scanners through the use of Fonar Maintenance Software or Fonar Schematics pending the ultimate disposition of the action; and

(4) Fonar shall produce copies of the copyrighted maintenance software for the Court and for each of the named defendants.

(5) Defendants shall file any papers opposing plaintiff's computation of their attorneys' fees within 30 days of the date of this Order.

PRELIMINARY INJUNCTION

FINDINGS OF FACT

1. Fonar Corporation developed software for the operation and maintenance of its Beta 3000 and Beta 3000M MRI Scanner.

2. "Maintenance Software" for the Beta 3000 and Beta 300M is defined as all software other than "Operational Software" for the Beta 3000 and Beta

3000M MRI Scanner.

3. "Operational Software" is described in listed menus in the "User's Manual" of the Beta 3000 and Beta 3000M MRI Scanner.

4. Plaintiff's "Maintenance Software" is an unpublished work over which Fonar has maintained proprietary control.

5. Despite the fact that Fonar "Maintenance Software" is an unpublished work, it has since at least 1986 placed a copyright notice on its "Maintenance Software."

6. On July 19, 1991, Fonar duly registered its copyright of the "Maintenance Software" for the Beta 3000 and Beta 3000M in the United States Copyright Office under Registration Number TXU-475-784 as an unpublished work, under applicable provision for computer programs containing trade secrets.

7. Fonar, in the development of its Beta 3000 and Beta 3000M MRI Scanners, developed "Schematics" for Fonar circuit boards.

8. Plaintiff has maintained its "Schematics" for the Beta 3000 and Beta 3000M MRI Scanners as proprietary and as "trade secrets" and has accomplished these ends regarding "Schematics" through:

(1) exclusive access and use of said "Schematics" by Fonar employees only;
(2) Confidentiality Agreements with employees; and
(3) Proprietary Notices on said "Schematics".

9. Deccaid Services, Inc., Peter Kim, Louis Treglia, Stephen Steckler, and Equi Med Leasing, Inc.'s possess and used Fonar "Maintenance Software" and

"Schematics" in repairing Fonar Beta 3000 and Beta 3000M MRI Scanners without permission of Fonar.

10. Defendant David Smith contends he possesses a right to use Fonar "Maintenance Software" despite the lack of any grant of such a right by Fonar to do so.

11. Medical Funding's vice president, David Smith, is cognizant of, and, in fact, oversees repairs made by Deccaid Services, Inc. of the Fonar MRI Scanners owned by Medical Funding. He has since 1989, been active in finding and soliciting others to service Fonar MRI Scanners.

12. Medical Funding has allowed Deccaid Services, Inc., to repair Medical Funding's Fonar MRI Scanners with knowledge that Deccaid repairs such MRI Scanners with Fonar "Maintenance Software" and "Schematics" despite no granting of such a right by Fonar.

13. Certain types of repairs can be made to Fonar MRI machines without the use of Fonar "Maintenance Software" or "Schematics", e.g., repairs to power supply units, water chillers, and other non-computer board mechanical problems.

14. Plaintiff will suffer irreparable harm through:

(a) the infringement of its exclusive use of the copyrighted "Maintenance Software";
(b) by damage to its business reputation and good will;
(c) that the continued use and copying of plaintiff's "Maintenance Software" and "Schematics" by the defendants, their affiliates, or agents, will increase the likelihood of other customers or third-party service companies

misappropriating plaintiff's property in a similar fashion; and

(d) because of the difficult of presentation of sufficient proof and precise measurement of damages that will be required at the eventual trial of this action.

CONCLUSIONS OF LAW

1. This Court has jurisdiction over all parties and over the subject matter of the complaint and has venue with respect thereto, pursuant to U.S.C. Title 17, § 101 et seq., 28 U.S.C. Section 1338 and 28 U.S.C. § 1400(a).

2. "The settled law of this circuit is that a preliminary injunction may be granted only upon a showing of '(a) irreparable harm and (b) either (1) likelihood of success on the merits of (2) sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly toward the party requesting the preliminary relief.'" Hasbro Bradley, Inc. v. Sparkle Toys, Inc., 780 F.2d 189, 192 (2d Cir. 1985) (quoting Jackson Dairy, Inc. v. H.P. Hood & Sons, 596 F.2d 70, 72 (2d Cir. 1979)) (and citing Mattel, Inc. v. Azrak-Hamway International, Inc., 724 F.2d 357, 359 (2d Cir. 1983)). The plaintiff has met its burden of showing irreparable harm and a likelihood of success on the merits.

3. "In an infringement action, a plaintiff must establish ownership of the copyright and copying by the

defendant. McGraw-Hill, Inc. v. Worth Publishers, Inc., 335 F.Supp. 415, 519 (S.D.N.Y. 1971); 1 Nimmer Sec. 141 at 611." Reyher v. Children's Television Workshop, 533 F.2d 87, 90 (2d Cir. 1976). The plaintiff has established ownership of the copyright and copying by the defendant.

4. "The certificate of registration is prima facie proof of ownership and validity. Novelty Textile Mills, Inc. v. Joan Fabrics Corp., 558 F.2d 1090, 1092 n.1 (2d Cir. 1977)." York Wallcoverings, Inc. v. Coloroll, Inc., 681 F.Supp. 1004, 1007 (E.D.N.Y. 1987). Plaintiff has established its prima facie proof of ownership and validity through its Certificate of Registration.

5. The copying and use by all defendants of plaintiff's "Maintenance Software" and "Schematics" are proven by the use of Deccaid Services, Inc. and its employees Peter Kim, Louis Treglia and Stephen Steckler and in the complicity of the remaining defendants in seeking, promoting, and soliciting the illegal service of Deccaid Services, Inc. in repairing the subject machines owned by defendants, Equi Med Leasing, Inc. and Medical Funding of America, Inc.

6. "Existence of irreparable injury is presumed upon a showing of prima facie case of copyright infringement." Video Trip Corp. v. Lightning Video, Inc., 866 F.2d 50, 51-52 (2d Cir. 1989). A prima facie case of copyright infringement is proven herein and therefore irreparable injury is presumed.

7. "[I]rreparable harm will befall the copyright holder upon the infringement of its exclusive use of the copyrighted matter." Miller Brewing Co. v. Carling

O'Keefe Breweries, 452 F Supp. 429, 437-438 (W.D.N.Y. 1978). Therefore, danger of irreparable harm is demonstrated herein.

8. Irreparable injury is suffered where monetary damages cannot be calculated with a reasonable degree of certainty or will not adequately compensate the injured party. Danielson v. Local 275, Laborers Int. U. of No. Amer., 479 F.2d 1033, 1037 (2d Cir. 1973). Damage to reputation and goodwill, as well as difficulty in proving damages with certainty, prove a danger of irreparable harm.

9. Because of the proof regarding the Preliminary Injunction application and the accompanying adjudication of Contempt, this Court enjoins all defendants to strictly adhere to the prohibitions of its Order of November 1, 1991, as modified in paragraph 14 of the accompanying Findings of Fact and Conclusions of Law regarding Contempt.

SO ORDERED.

s/Leonard D. Wexler
LEONARD D. WEXLER
UNITED STATES
DISTRICT JUDGE

Dated: Hauppauge, New York
March 9, 1992

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

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FONAR CORPORATION,

Plaintiff,

-against-

DECCAID SERVICES, INC., EQUI MED LEASING, INC., MEDICAL FUNDING OF AMERICA, INC., DAVID SMITH, MORTON MACKOF, STEPHEN STECKLER, LOUIS TREGLIA and PETER KIM,

Defendants.

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ORDER

CV 91-3805
(Wexler, J.)

WEXLER, District Judge

On May 11, 1992, this Court signed a Confidentiality Order that had been prepared by Fonar Corporation ("plaintiff"). Subsequently, three defendants have written letters to the Court objecting to certain sections of that Order which, they believe, will interfere with their right to engage expert witnesses of their choice by giving plaintiff a right to object to said witnesses before "confidential material" is turned over to them. Defendants also object to the time schedule relating to any objections plaintiff may have to defendants' choices of expert witnesses, and to the fact that the Order grants plaintiff the right to designate which of its software and documents are entitled to

"confidentiality."

Considering both the factual history of this case and the seemingly endless delays related to discovery, the Court finds that this Confidentiality Order is appropriate in order to move the parties toward timely trial preparation. Moreover, the Order does not give plaintiff any right to select or disqualify defendants' expert witnesses. Plaintiff only has the right to object to defendants' potential expert witnesses before they are shown plaintiff's "confidential" materials.

Furthermore, the Court is not pre-judging the issues of whether plaintiff's software and schematics are trade secrets or protected by valid copyrights. These issues are reserved for trial. The Confidentiality Order merely protects plaintiff's material until these issues are decided.

In addition, the Court does not expect that plaintiff will offer objections to defendants' proposed expert witnesses unless defendants engage experts who have a documented history of improperly using trade secrets or potential trade secrets that have come into their possession.

Finally, should any objections arise regarding these, or any other discovery related issues, the Court, in order to keep to its July trial schedule, intends to resolve such issues promptly. If the need arises, the

time periods set forth in the Confidentiality Order can be compressed.

SO ORDERED.

s/Leonard D. Wexler
LEONARD D. WEXLER
United States District Judge

Dated: Hauppauge, New York
May 4, 1993

93-283

Supreme Court, U.S.
FILED
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No. ~~93-3058~~

In the Supreme Court of the United States

OCTOBER TERM, 1993

FONAR CORPORATION,

Petitioner,

-against-

DECCAID SERVICES, INC., STEPHEN STECKLER, PETER KIM, LOUIS TREGLIA, MEDICAL FUNDING OF AMERICA, INC., DAVID SMITH and MORTON MACKOF,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

RESPONDENTS' BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

1. Whether the absence of an order of the Court of Appeals directing an answer to a petition for writ of mandamus is reversible error, when the respondent to the petition had opportunities to argue the subject matter of the scope of the confidentiality order at issue to the Second Circuit both before and after the issuance of the writ modifying the confidentiality order.

2. Whether a court of appeals may issue a writ of mandamus to compel a district court to follow a suggestion of the Court of Appeals made to the district court in a prior appellate decision.

3. Whether the facts and circumstances of the issuance of the district court's order of May 11, 1993, warranted the issuance of a writ of mandamus by the Court of Appeals.

4. Whether the petitioner's failure to raise noncompliance with Federal Rule of Appellate Procedure 21(b) and denial of due process to the Court of Appeals should preclude review of those issues by this Court.

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No. 93-3058

In the Supreme Court of the United States
OCTOBER TERM, 1993

FONAR CORPORATION,
Petitioner,

-against-

DECCAID SERVICES, INC., STEPHEN STECKLER, PETER KIM, LOUIS TREGLIA, MEDICAL FUNDING OF AMERICA, INC., DAVID SMITH and MORTON MACKOF,
Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

RESPONDENTS' BRIEF IN OPPOSITION

STATEMENT OF FACTS

This action was brought by Fonar Corporation ("Fonar") against Deccaid Services, Inc. ("Deccaid")[1], Stephen Steckler ("Steckler"), Luigi Treglia s/h/a Louis Treglia ("Treglia"), Peter Kim ("Kim"), Medical Funding of America, Inc. ("Medical Funding")[2], David Smith ("Smith") and Morton Mackof

1 Deccaid Services, Inc. has no parent companies or subsidiaries.

2 Medical Funding of America, Inc. has no parent companies or subsidiaries.

("Mackof") (collectively, the "Respondents"). Fonar manufactures and services magnetic resonance imaging equipment ("MRIs"). Deccaid is an independent service organization which services medical diagnostic imaging equipment, including MRIs. Deccaid serviced Fonar MRIs prior to November 1, 1991. Steckler, Treglia and Kim were former Fonar employees employed by Deccaid at the time of the incidents complained of. Smith is a former employee of Fonar and was employed by Medical Funding at the time of the incidents complained of. Mackof was employed by Medical Funding until February 15, 1991, and had previously been employed by Fonar until early 1986.

Fonar brought this action seeking interim and permanent injunctive relief and money damages against the Respondents on the grounds of copyright infringement arising from the alleged use of Fonar's software, servicing of Fonar MRIs, and violation of Fonar's alleged trade secrets in its software and schematic drawings.

Fonar's petition to this Court relates to a writ of mandamus granted by the Second Circuit Court of Appeals which modified a confidentiality order issued by the district court. The confidentiality order intended to govern production of all documents designated as confidential by Fonar. These documents included all versions of Fonar's software and schematics.

Fonar claims that its software is copyrighted, and that both its software and schematics contain trade secrets. The Respondents contend that Fonar's software has entered the public domain through

publication prior to 1989 without the proper statutory copyright notice or is otherwise an unprotectable compilation of previously published material which has entered the public domain and that neither the software nor the schematics are secret. The second Circuit Court of Appeals, in deciding an appeal in this case some six months prior to issuance of its writ of mandamus, openly questioned Fonar's allegations of secrecy regarding its software and schematics. *Fonar v. Deccaid*, 983 F.2d 427 (2d Cir. 1993). (See Appendix A herein at page A1.)[3]

At the commencement of this litigation, Fonar sought and obtained a temporary restraining order against the Respondents. On March 9, 1992, Fonar obtained a preliminary injunction against all Respondents other than Mackof, as to whom the Complaint was dismissed insofar as it sought injunctive relief. Thereafter, Fonar sought and obtained an order of contempt against Deccaid, Steckler, Treglia and Kim claiming that Respondents continued to use Fonar's software in violation of the temporary restraining order. Fonar was ordered to produce its software to the court and to the defendants. Fonar then sought a confidentiality order governing production of its software and schematics. The district court issued Fonar's proposed order unchanged on February 25, 1992 (hereinafter the "First Confidentiality Order") (Appendix B, A9).

The injunction, contempt order and First Confidentiality Order were the subject of an appeal to the Second Circuit. The issues relating to the scope and propriety of the First Confidentiality Order were fully

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[3] References to the Appendices shall hereinafter bear the prefix "A".

briefed by both parties. In a decision reported at 983 F.2d 427, the Second Circuit declined to review the First Confidentiality Order. However, it suggested that in light of the Respondents' allegations regarding the non-secret status of Fonar's documents, the district court should reconsider that order. (The allegations made by the defendants were set forth in Deccaid's brief to the Second Circuit. See Appendix D at A38.) In commenting on the First Confidentiality Order, the Court of Appeals specifically referred to its power to issue a writ of mandamus, and cited two cases stating in substance that the Second Circuit will issue writs of mandamus to compel district courts to follow "suggestions of the Court of Appeals" if the district courts fail to follow them voluntarily.

Fonar refers to the appeal preceding the petition for writ of mandamus in its petition, but omits reference to the Second Circuit's treatment of the First Confidentiality Order. Respondents believe that the subsequent failure of the district court to follow the Court of Appeals' suggestion to reconsider the First Confidentiality Order on less restrictive terms is an important fact which has bearing on the question of the issues before this Court if certiorari were granted.

The Court of Appeals also criticized Fonar for failing to produce its software in violation of the district court's orders, and noted that this non-production lay at the heart of its decision to vacate the injunction and contempt orders. As the software was not in evidence, there was no way for the Court of Appeals to rule on the issues of copyrightability of infringement let alone contempt. See Transcript of

Oral Argument, Appendix C (A11); Second Circuit's decision of January 11, 1993, (A1).

After the Second Circuit's decision, the Respondents moved for contempt for Fonar's continuing refusal to produce its software in violation of prior district court orders. Fonar opposed by claiming it was inadequately protected by the First Confidentiality Order, and stated it would produce the software if the Court signed an additional, more restrictive, confidentiality order. The district court adopted Fonar's proposed new order in its entirety on May 11, 1993, and further ordered that jury selection would commence on July 2, 1993.

The First Confidentiality Order issued on February 25, 1992, was limited to software and schematics, and it bore a single significant limitation—that the Respondents were ordered to use neither software nor schematics except in connection with this litigation.

The Second Confidentiality Order of May 11, 1993 is substantially more burdensome than the First Confidentiality Order. The Second Order is not limited to software and schematics; Fonar can designate anything as "specially confidential." The Second Order restricts disclosure to certain classes of persons; the First Order did not. The Second Order prohibits disclosure to persons in the medical diagnostic imaging field—the very class of persons with knowledge and experience to assist the Respondents in preparation of their case; the First Order contained no such restriction. The Second Order prohibits disclosure to anyone not identified to Fonar and allows Fonar the right to object to the persons to whom

disclosure will be made; the First Order contained no such restriction. The Second Order is directly contrary to the Second Circuit's suggestion to the district court that it modify the First Confidentiality Order to make it less restrictive.

Upon entry of the Second Confidentiality Order, Respondents petitioned the Second Circuit Court of Appeals for a writ of mandamus. The Second Circuit had already entertained briefs and oral arguments encompassing the issue of the scope and propriety of the First Confidentiality Order. In that petition, the Second Circuit was presented with the May 11, 1993 Second Order which was clearly more onerous and restrictive than the First Confidentiality Order which the Second Circuit had already indicated was too restrictive. The Second Circuit granted the writ of mandamus without permitting Fonar to present an answer to the petition.

Fonar had previously presented extensive arguments to the Second Circuit on the propriety and scope of the First Order on the prior appeal. Fonar moved for its reconsideration of the writ of mandamus on June 16, 1993. It is significant that Fonar failed to argue on its motion that the Court of Appeals had failed to comply with F.R.A.P. 21(b) nor did it raise the due process arguments which it has made here. These claims are raised by Fonar for the first time in its petition for writ of certiorari. Fonar's motion for reconsideration was denied without opinion on July 14, 1993.

Finally, although Fonar was not permitted to answer the petition for a writ of mandamus, Fonar opposed a motion to the Second Circuit by the

Respondents to stay the trial. That motion was returnable on the same day as the petition for a writ of mandamus, and was decided in the same order that decided the petition for a writ of mandamus. Fonar indirectly addressed the issues relating to the Second Confidentiality Order in opposition to the motion to stay the trial date.

REASONS FOR DENYING PETITION FOR A WRIT OF CERTIORARI

1. The case presents no special or important reasons which warrant the issuance of the writ.

2. The absence of an order from the Second Circuit directing Fonar to answer the petition for a writ of mandamus did not deprive Fonar of due process; Fonar had been previously afforded opportunities to be heard on the issues disposed of in the writ of mandamus.

3. The issuance of the writ of mandamus by the Second Circuit was an appropriate exercise of its power to use the writ in the aid of its jurisdiction over a district court which failed to implement the Court of Appeals' direction in a prior appeal in the same case and which exceeded its power in issuing the order challenged by the petition for a writ of mandamus.

4. Fonar failed to raise the issue of the Court of Appeals' failure to comply with F.R.A.P. 21(b) and due process requirements of the Constitution in its motion for reconsideration before the Court of Appeals.

SUMMARY OF ARGUMENTS

There are no special or important reasons warranting the issuance of a writ of certiorari by this Court. Fonar was given a meaningful opportunity to argue the merits of the First Confidentiality Order to the Second Circuit in briefs and oral arguments on an appeal encompassing the propriety of the February 25, 1992 confidentiality order. Fonar argued the merits of the Second Confidentiality Order on its motion for reconsideration of the writ of mandamus but failed to raise the issue of the Court of Appeals' failure to comply with F.R.A.P. 21(b). Fonar was heard in substance. The failure of the Second Circuit to direct that a reply to the petition for mandamus be filed does not constitute a denial of due process in light of Fonar's earlier opportunity to brief the same issues to the same court on a prior appeal nor does it justify reversal of the Second Circuit's order.

The issuance of the writ of mandamus by the Second Circuit Court of Appeals was entirely consistent with the law expounded by this Court and the Court of Appeals. The district court exceeded its authority by failing to implement a suggestion regarding reconsideration of the scope of the First Confidentiality Order which the Court of Appeals made in its decision on appeal preceding the petition for writ of mandamus. The Court of Appeals appropriately used the writ in the aid of its jurisdiction over the district court. Moreover, the issuance of the writ of mandamus under the particular facts of this case is consistent with the factors recited by this Court as warranting the extraordinary relief of a writ of mandamus.

Fonar could have given the Second Circuit an opportunity to address the claimed misapplication of Rule 21(b) and alleged denial of due process, if it chose to raise those claims in its motion for reconsideration. It did not. Fonar should be precluded from obtaining review on these grounds, because they are raised for the first time on this petition.

I.

THE PETITION DOES NOT PRESENT ANY CONSIDERATIONS WARRANTING REVIEW ON WRIT OF CERTIORARI.

Fonar urges two grounds for review: one is procedural and the other is substantive. Fonar argues that the absence of an order by the Second Circuit directing it to answer the Respondents' petition for a writ of mandamus is a procedural error which is a "special and important" reason for this Court to issue a writ of certiorari. It also argues that the actual issuance of the writ of mandamus by the Second Circuit Court of Appeals, regardless of procedural defect, is an error of law which should be addressed by this Court. Neither of these grounds constitute a special or important reason which warrants the grant of Fonar's petition.

Fonar was heard on the issue of confidentiality on multiple occasions, by the Second Circuit. Therefore, failure of the Second Circuit to issue an order setting a time for Fonar to answer the petition for mandamus does not rise to the level of a due process violation. Furthermore, this procedural defect had no bearing on the substance of the Second Circuit's decision as Fonar argued the merits of the Second

Confidentiality Order on its motion for reconsideration of the court's order granting the writ of mandamus and its motion for reconsideration was denied. Therefore, the Second Circuit did consider Fonar's claims and found against it. Finally, as a matter of law, the issuance of the writ of mandamus was entirely appropriate under the facts and circumstances of this case.

The issues presented by Fonar's petition are largely fact specific, raise no issues of federal law, and will have little application beyond this contest between private litigants. The existence of trade secrets and the validity of copyrights in this case are mere allegations, not facts, and remain to be resolved by the fact finder at the district court level. The Second Circuit seriously questioned these allegations before issuing its writ. The district court had failed to follow the Court of Appeals' direction to modify its prior restrictive confidentiality order. These factors militate against the granting of Fonar's petition.

A. THE ABSENCE OF AN ORDER BY THE SECOND CIRCUIT DIRECTING FONAR TO ANSWER THE PETITION FOR WRIT OF MANDAMUS DOES NOT WARRANT REVIEW BY WRIT OF CERTIORARI.

The failure of the Second Circuit to order Fonar to answer the petition for a writ of mandamus does not rise to a special and/or important reason for review as required in Rule 10 of the Rules of the Supreme Court. The Second Circuit's action represents no gulf between courts of appeals that need to be addressed by this Court, nor does it represent such a departure

from the usual and accepted course of proceedings which requires exercise of this Court's jurisdiction.

There is no evidence that the Second Circuit's failure to comply with Rule 21(b) was intentional nor is there any indication that litigants would receive disparate treatment in proceedings before the Second Circuit compared to others, or that the Supreme Court must step in to assure proper application of Rule 21(b) in the Second Circuit. This is particularly so here where even though petitioner was denied an opportunity to answer the petition, it nevertheless made its views known on its motion for reconsideration which was denied on the merits.

Although Fonar was not permitted to answer the petition for a writ of mandamus, the Second Circuit's failure to order an answer did not deprive Fonar of due process. Due process requires an opportunity to be heard at a meaningful time and in a meaningful manner. *Armstrong v. Manzo,* 380 U.S. 545, 552, 85 S. Ct. 1187, 14 L.Ed.2d 62 (1965). Fonar was heard on the substantive issues of the First and Second Confidentiality Orders both before and after the petition for mandamus was granted. Its arguments failed in both instances. The mere violation of a procedural rule does not in and of itself rise to the level of a due process violation. *See Johnson v. U.S.,* 805 F.2d 1284, 1289-90 (7th Cir. 1986), *reh'g and reh'g en banc denied* (1987). The facts and circumstances of this case establish that the procedures in this case did not deprive Fonar of due process.

The issues of secrecy and confidentiality of software and schematics in this case have been litigated repeatedly. Fonar's application for a preliminary

injunction entailed the element of likelihood of success on the merits of its secrecy claims. This issue was fully briefed and argued to the Second Circuit long before the petition for a writ of mandamus. *See Fonar Corp. v. Deccaid Services, Inc.*, 983 F.2d 427 (2d Cir. 1993). The Second Circuit, while denying review, suggested reconsideration of a much less onerous confidentiality order. *Fonar*, 983 F.2d at 430. In addition to Fonar's opportunity to brief and argue the confidentiality issue at the appellate level, Fonar also submitted a motion to the Second Circuit for reconsideration of the merits of the ruling on the Second Confidentiality Order after the writ of mandamus issued. Fonar also indirectly addressed the petition for a writ of mandamus in papers filed with the Court of Appeals in opposition to a motion by Respondents to stay the trial. That motion was returnable on the same day as the petition for a writ of mandamus and was decided by the same order that determined the issues on the petition.

Fonar's numerous opportunities for argument on the merits of the Second Confidentiality Order at the appellate level belie its due process claim. To the contrary, it has taken repeated bites of the apple on the confidentiality issue. The district court and Court of Appeals have heard Fonar. That Fonar was denied yet another opportunity to make the same arguments does not make this a "special" case.

B. THE WRIT OF MANDAMUS WOULD HAVE PROPERLY ISSUED EVEN WITH FONAR'S ANSWER.

After the propriety of the First Confidentiality Order was briefed and argued on appeal, the Court of

Appeals suggested to the district court that it reconsider its scope. *Fonar*, 983 F.2d 430. It cited *Bridge C.A.T. Scan Associates v. Technicare*, 710 F.2d 940 (2d Cir. 1983), and *International Products Corp. v. Koons*, 325 F.2d 403 (2d Cir. 1963). It explained these cases in *Bridge C.A.T. Scan Associates:*

> Nonetheless, here, as in *Koons*, '[i]t does not follow . . . that an order purportedly made under [Rule 26(c)] which exceeds the power there given to a district court is altogether beyond appellate scrutiny. The normal remedy for action taken in excess of jurisdiction is mandamus.' 325 F.2d at 407. In *Koons*, we did not treat the appeal as a petition for writ of mandamus, preferring to recommend to the district court that it modify its order and noting that we would entertain a mandamus petition if the suggested modification were not forthcoming.

Bridge C.A.T. Scan Associates, 710 F.2d at 944.

The district court disregarded the Court of Appeals' suggestion, and proceeded to enter a much more restrictive confidentiality order. The Second Circuit's warning to the district court was ignored and the petition for a writ of mandamus granted.

The power of an appellate court to enforce its mandate by use of a writ of mandamus is firmly established. *See, e.g., Ex Parte DuBuque and Pacific Railroad*, 1 Wall 69, 17 L.Ed. 514 (1863); *Deen v. Hickman*, 358 U.S. 57, 79 S. Ct. 1, 3 L.Ed.2d 28 (1968) (declining to issue the writ on the assumption that the state court would conform to disposition made

therein). The All Writs Act expressly empowers the use of "all writs necessary or appropriate in aid of [the Court of Appeals'] respective jurisdictions and agreeable to the usages and principles of law." 28 U.S.C. 1651 (1993). The Court of Appeals did nothing more than enforce its "suggestion" when the suggestion was ignored. This is not departure from appellate practice. Rather, it is a traditional application of mandamus used in its most conventional sense.

We are cognizant of decisions by this Court and the Courts of Appeals, including the Second Circuit, requiring as prerequisites for issuance of the writ (i) a usurpation of power, or a clear abuse of discretion, (ii) the lack of an adequate alternative, and (iii) a clear and indisputable right to issuance of the writ. There is no discord between these decisions and the Second Circuit's in this case.

The decisions expounding the foregoing prerequisites generally address petitions for writs of mandamus brought independently of other appellate proceedings. We submit that the issuance of a writ to compel a lower court to implement the intent of a prior mandate is a traditional use of the writ, not necessarily subject to the same principles as those rare cases where the writ serves purely as an alternative to an interlocutory appeal. *See, e.g., Oswald v. McGarr,* 620 F.2d 1190 (7th Cir. 1980), *reh'g denied* (1980) (disapproving use of the writ to address constitutional error otherwise correctable by the normal appeals process, but acknowledging appropriateness of the writ to review compliance with remand instructions from an earlier appellate decision); *Yablonski v. United Mine Workers of America,* 454 F.2d 1036 (D.C. Cir. 1971), *cert. denied,* 406 U.S. 906, 92

S. Ct. 1609, 31 L.Ed.2d 816 (1972) (issuing the writ and noting that a trial court is without power to do anything which is contrary to either the letter or the spirit of the mandate construed in light of the opinion of the court deciding the case). Nevertheless, the application of those principles to our facts would require the same result.

The issuance of a protective order entails the use of discretion by the district court. This does not mean that every protective order is beyond appellate review, by mandamus or otherwise. *Bridge C.A.T. Scan Associates*, 710 F.2d at 944. The district court's disregard of the Court of Appeals' direction satisfied the first element—abuse of discretion or usurpation of power. The substance of the order also goes to this factor. The order precluded disclosure to any experts in the medical diagnostic imaging field and to principals. In effect, no one who knows how to operate MRI equipment would have access to information designated "specially confidential" by Fonar. This severely prejudices the ability to defend; the ability to prove what in the field is secret and what is not.

The order also set a timetable for disclosure to third parties, which potentially extended beyond the then scheduled trial date and required disclosure in advance of experts who would review "specially confidential" material, regardless of whether respondents would retain that expert for trial. The order, based on a questionable showing of secrecy (questioned, in fact, by the Second Circuit) was a clear abuse of discretion.

The Respondents lacked an adequate alternative. Appeals after trial would not likely achieve a result

stronger than the first appeal, wherein the Court of Appeals indicated that a less restrictive order should issue. Mandamus is the appropriate alternative when a district court fails to follow the direction of an appellate court. Furthermore, the combined effect of the confidentiality order and the trial date scheduled by the district court placed the Respondents, at the time of the petition, at risk of proceeding to trial without an opportunity to review the subject matter of Fonar's alleged secrets with a knowledgeable expert.

Finally, the Respondents have a clear and indisputable right to implementation of the spirit of Court of Appeals mandates by the district court. *See Oswald v. McGarr*, 620 F.2d at 1196 (equating disregard of an appellate mandate with a clear and indisputable right to a writ). In addition, the substance of the order of the district court denied the clear and indisputable right of the respondents to apprise an expert knowledgeable in the field of medical diagnostic imaging of the substance of Fonar's alleged secrets for the purpose of testifying to opinions at trial.

II.

PETITIONER'S FAILURE TO RAISE NON-COMPLIANCE WITH FEDERAL RULE OF APPELLATE PROCEDURE 21(b) AND DENIAL OF DUE PROCESS TO THE COURT OF APPEALS SHOULD PRECLUDE REVIEW OF THOSE ISSUES BY THIS COURT.

Fonar could have presented its argument that the Court of Appeals misapplied Rule 21(b) and deprived it of due process to the Court of Appeals on its motion for reconsideration. Fonar had adequate notice

of the terms of the rule. The clerk's June 1, 1993 letter, advising Fonar that the Respondents' petition for writ of mandamus would be submitted June 8, specifically referred to Rule 21(b). (See page 1a of Fonar's petition.) Notwithstanding advance notice of the submission date and full opportunity to present the issue on motion for reconsideration, Fonar never claimed that the alleged denial of due process and misapplication of Rule 21(b) required modification of the writ of mandamus, until after the motion for reconsideration was decided.

Traditional Supreme Court practice precludes grant of certiorari when the question presented was not pressed or passed upon below. *See United States v. Williams*, ___ U.S. ___, 112 S. Ct. 1735, 118 L.Ed.2d 352 (1992) (finding that the Tenth Circuit had decided the crucial issue presented on petition for writ of certiorari); *Browning-Ferris Industries v. Kelco Disposal, Inc.*, 492 U.S. 257, 109 S. Ct. 2909, 106 L.Ed.2d 219 (1989) (because petitioners did not raise the argument that a punitive damage award was violative of due process to the District Court or Court of Appeals, or in its petition for certiorari, the Supreme Court declines to consider the issue); *DeShaney v. Winnebago County Department of Social Services*, 489 U.S. 187, 109 S. Ct. 998, 103 L.Ed.2d 249 (1989) (court declines to consider argument made for the first time in brief that infant plaintiff was deprived of due process regarding claimed entitlements (see footnote 2)).

There is no reason why Fonar could not have presented these arguments to the Court of Appeals. Since it did not present them to the Court of Appeals, it should not present them to the Supreme Court.

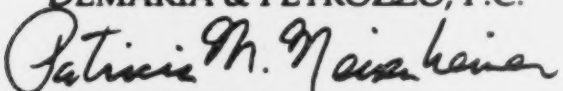
CONCLUSION

The petition for a writ of certiorari should be denied.

Dated: Hempstead, New York
September 23, 1993

Respectfully submitted,

FUREY, FUREY, LAPPING,
DEMARIA & PETROZZO, P.C.



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APPENDIX A

Decision of the United States Court of Appeals for the Second Circuit, decided January 11, 1993 (vacating and remanding district court's preliminary injunction and order of contempt and dismissing the appeal from the district court's protective order)

UNITED STATES COURT OF APPEALS
For the Second Circuit

No. 170 — August Term, 1992

(Argued October 5, 1992 Decided January 11, 1993)

Docket No. 92-7407

FONAR CORPORATION,

Plaintiff-Appellee,

v.

DECCAID SERVICES, INC., STEPHEN STECKLER, LOUIS TREGLIA PETER KIM, MEDICAL FUNDING OF AMERICA, INC. and DAVID SMITH,

Defendants-Appellants,

EQUI MED LEASING, INC. and MORTON MACKOF,

Defendants.

BEFORE: VAN GRAAFEILAND, PRATT and ALTIMARI, Circuit Judges:

Appeal from a preliminary injunction, a contempt order and a protective order of the United States District Court for the Eastern District of New York (Wexler, J.). Vacated and remanded in part and dismissed in part.

VIRGINIA M. RICHARD, New York, New York (Maribel Figueredo, Kane, Dalsimer, Sullivan, Kurucz, Levy, Eisele & Richard, New York, New York, of counsel), for Defendants-Appellants Deccaid Services, Stephen Steckler, Louis Treglia and Peter Kim.

HENRY B. GUTMAN, New York, New York (Kerry L. Konrad, Joshua H. Epstein, O'Sullivan, Graev & Karabell, New York, New York, of counsel), for Plaintiff-Appellee.

VAN GRAAFEILAND, Circuit Judge:

Deccaid Services, Inc., Stephen Steckler, Louis Treglia, Peter Kim, Medical Funding of America, Inc. and David Smith appeal from a preliminary injunction, a contempt order and an order sealing certain documents pendente lite issued by the United States District Court for the Eastern District of New York (Wexler, J.) in this copyright infringement and trade secret suit. For the reasons that follow, we vacate and remand the injunction and contempt orders and dismiss the appeal from the protective order.

Fonar Corporation manufactures, sells and services Magnetic Resonance Imaging ("MRI") scanners, sophisticated devices used in the making of medical diagnoses. In order to facilitate the maintenance of its product, Fonar has developed unpublished and copyrighted "Maintenance Software." This software is not in evidence, despite two district court orders that it be produced. Moreover, the record does not disclose which specific computer programs fall within the umbrella term "Maintenance Software." Fonar also has created "Schematics," diagrams of the scanners' internal structure, which likewise are asserted to be trade secrets.

Deccaid is an independent medical imaging equipment service company which repairs MRI scanners, including those manufactured by Fonar. Steckler, Treglia and Kim, erstwhile employees of Fonar, are Deccaid employees. Medical Funding of America owns Fonar scanners; Smith is an employee of Medical Funding and also a former Fonar employee.

In 1991, Fonar became concerned about defendants' possible unauthorized use of its maintenance software and schematics and began an investigation into defendants' activities. In July 19, 1991, in anticipation of litigation, Fonar obtained copyright registration number TXU-475-784 for "Fonar Editors and Utilities," "Fonar Diagnostics," and "Fonar Field Engineering Utilities." Pursuant to applicable regulations, the copyright deposit contained only the first 29 pages and last 34 pages of a printout of the programs' source code, redacted to eliminate trade secrets.

On October 1, 1991, Fonar instituted suit alleging copyright infringement and misappropriation of trade secrets. On October 2, 1991, plaintiff moved by order to show cause returnable on October 7 for a preliminary injunction restraining defendants from "copying, duplicating, distributing, offering for sale, or using plaintiff's copyrighted 'Maintenance Software', 'Schematics' or other trade secrets of the Beta 3000 and Beta 3000M." The order to show cause provided further that pending the hearing and determination of the preliminary injunction application, the defendants were "temporarily restrained pending further Order of the Court from copying, reproducing, selling or using plaintiff's copyrighted 'Maintenance Software', 'Schematics' and other trade secrets of for [sic] the Beta 3000 and Beta 3000M."

On October 29, 1991, Fonar moved for a finding of contempt, alleging that Deccaid had violated the TRO by using Fonar's copyrighted maintenance software while repairing a Fonar scanner in Las Cruces, New Mexico on October 8 and October 25. On November 1, 1991, the district court amended the TRO by prohibiting the defendants Deccaid, Steckler, Treglia, Kim, and Equi Med Leasing, Inc. "from servicing any FONAR MRI Scanners pending Hearing and determination of the Preliminary Injunction." On February 25, 1992, the court entered an order sealing all schematics and software on file with the court, and prohibiting defendants from disclosing them pending the outcome of the litigation.

In findings of fact and conclusions of law dated February 28, 1992 and amended March 9, 1992, the district court held Deccaid, Kim, Treglia, Steckler and

Equi Med Leasing, Inc. in contempt of the temporary restraining order and granted Fonar's motion for a preliminary injunction against all of the defendants. *See* 787 F. Supp. 44. Because we unquestionably have jurisdiction to hear the appeal from the preliminary injunction order, *see* 28 U.S.C. § 1292, we will consider the merits of the contempt order without deciding whether it is appealable *per se*. *See Emery Air Freight Corp. v. Local Union 295*, 449 F.2d 586, 590 (2d Cir. 1971), *cert. denied*, 405 U.S. 1066 (1972).

A district court may punish for disobedience of an order only if the order is clear and unambiguous. "The judicial contempt power is a potent weapon. When it is founded upon a decree too vague to be understood, it can be a deadly one." *International Longshoremen's Ass'n, Local 1291 v. Philadelphia Marine Trade Ass'n*, 389 U.S. 64, 76 (1967). "An unclear order provides insufficient notice to justify a sanction as harsh as contempt." *United States v. International Bhd. of Teamsters*, 899 F.2d 143, 146 (2d Cir. 1990). The contempt order in the instant case was predicated on alleged violations of an unclear restraining order. The order prohibited defendants from "using plaintiff's copyrighted 'Maintenance Software'," but never defined precisely what constituted "Maintenance Software." Indeed, even at this stage in the proceedings, there is nothing in the record to identify the programs that comprise this protected software. Throughout, Fonar has adhered to the most elusive of definitions and has refused repeatedly to provide the documents that would narrow and clarify the issue. For example, in the affidavits supporting Fonar's motion for a TRO, "Maintenance Software" was defined as "all software other than Operational Software . . . , including but

not limited to, 'diagnostic and maintenance software', 'field engineering utilities software' and 'editors and utilities software'." Notably, these affidavits do not define "Operational Software." Even the copyright deposit does not contain a table of contents, program menu, or any other complete listing of the protected programs. The significance of the foregoing omissions is highlighted by the following provision in the same order that held the defendants in contempt:

> Fonar shall produce copies of the copyrighted maintenance software for the Court and for each of the named defendants.

Fonar argues that defendants knew precisely what was prohibited, notwithstanding any vagueness in the restraining order. Even if this were true, Fonar's argument would be unpersuasive. Although specificity is designed in part to ensure that a party receives notice of precisely what conduct is outlawed, it also serves to facilitate appellate review. *Schmidt v. Lessard*, 414 U.S. 473, 476-77 (1974) (per curiam). "Unless the trial court carefully frames its orders of injunctive relief, it is impossible for an appellate tribunal to know precisely what it is reviewing." *Id.* at 477. That is the situation in the instant case.

Turning next to the preliminary injunction itself, we hold that it too cannot stand. Fed. R. Civ. P. 65(d) requires a district court, in issuing an injunction, to "set forth the reasons for its issuance," "be specific in terms," and "describe in reasonable detail, and not by reference to the complaint or other document, the act or acts sought to be restrained." This requirement is satisfied only if the enjoined party can "ascertain

from the four corners of the order precisely what acts are forbidden." *Sanders v. Air Line Pilots Ass'n, Int'l,* 473 F.2d 244, 247, (2d Cir. 1972). The order in the instant case does not satisfy this requirement.

For example, it mandates that all of the defendants "strictly adhere to the prohibitions of [the court's] Order of November 1, 1991, as modified in paragraph 14 of the accompanying Findings of Fact and Conclusions of Law regarding Contempt." *See* 787 F. Supp. at 48. As stated above, the November 1 order prohibited five of the defendants from servicing any Fonar MRI scanners pending the hearing and determination of the preliminary injunction application. Paragraph 14 of the accompanying findings and conclusions describes the supposed irreparable harm which plaintiff might suffer. *Id.* at 47. This contempt order provision demonstrates the problems that inhere in incorporation by reference as proscribed in Rule 65(d), and it clearly does not satisfy the Rule. *See Hartford-Empire Co. v. United States,* 323 U.S. 386, 410 (1945). As was the case in *International Longshoremen's Ass'n, supra,* 389 U.S. at 76, the decree below can best be described as "unintelligible" and hence unenforceable.

The district court's circuitous definition of "Maintenance Software" is equally troublesome. "Maintenance Software" is defined "as all software other than 'Operational Software.'" In turn, "Operational Software" is defined as that "described in listed menus in the 'User's Manual.'" 787 F. Supp. at 47. As a result, it is impossible to "ascertain from the four corners of the order precisely what acts are forbidden." *Sanders, supra,* 473 F.2d at 247. On the contrary, one must turn to unclear extrinsic docu-

ments in an attempt to discover the breadth of the court's prohibition. This is not what is contemplated by Rule 65(d). *See Brumby Metals, Inc. v. Bargen*, 275 F.2d 46, 48-49 (7th Cir. 1960). In sum, the preliminary injunction is too indefinite and ambiguous to permit of enforcement.

Much of the indefiniteness that leads us to vacate the injunction and contempt orders also exists in the district court's protective order. However, because the protective order does not purport to grant any of the ultimate relief sought by the plaintiff and the defendants have shown little, if any, damage resulting therefrom, we will follow our customary practice of denying interim review. *See Ronson Corp. v. Liguifin Aktiengesellschaft*, 508 F.2d 399, 401 (2d Cir. 1974); *International Prods. Corp. v. Koons*, 325 F.2d 403, 406-07 (2d Cir. 1963). Rather than converting the appeal from the protective order into a petition for a writ of mandamus, as we did in *Bridge C.A.T. Scan Assocs. v. Technicare Corp.*, 710 F.2d 940, 943-47 (2d Cir. 1983), we suggest that upon remand the district court give further consideration to the terms of that order in the light of defendants' allegations of prior publications and in the interests of certainty.

The district court's preliminary injunction and order of contempt are vacated and remanded. The appeal from the district court's protective order is dismissed.

APPENDIX B

Order of the Honorable Leonard D. Wexler, Judge of the United State District Court for the Eastern District of New York, dated February 25, 1992

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

ORDER

FONAR CORPORATION,

Plaintiff,

-against-

DECCAID SERVICES, INC., EQUI MED LEASING, INC., MEDICAL FUNDING OF AMERICA, INC., DAVID SMITH, MORTON MACKOF, STEPHEN STECKLER, LOUIS TREGLIA and PETER KIM,

Defendants.

ORDERED, that pending the final disposition of this action or further Order of this Court:

(1) all FONAR Schematics and FONAR Maintenance Software now filed with the Clerk of the Court shall be placed under seal by the Clerk and not made a part of the public record herein;

(2) in the event that any schematic, copy of a schematic or portion thereof, for the FONAR Beta 3000 and Beta 3000M MRI Scanner, is to be filed with the Court Clerk, that it be filed under seal;

(3) in the event that any Maintenance Software or portion thereof, for the Beta 3000 and Beta 3000M, is to be filed with the Court Clerk, that it be filed under seal;

(4) that for purpose of this Order, Maintenance Software is defined as all software for the FONAR MRI Scanner other than Operational Software;

(5) that for purpose of this Order, "Operational Software" is defined through a listing of menus for said software in the User's Manual for the Beta 3000 and Beta 3000M MRI Scanner; and

(6) defendants and their attorneys shall not in any manner, directly or indirectly, transfer the FONAR Schematics or FONAR Maintenance Software or copies thereof, or communicate, orally or in writing, any of the data contained in the FONAR Schematics or FONAR Maintenance Software, to any person other than for purposes directly related to the litigation of this case and any such person to whom such communication is made shall be specifically identified and shall be bound by the terms of this Order.

Dated: Hauppauge, New York
February 25, 1992

/s/

The Honorable Leonard D. Wexler,
United States District Judge

APPENDIX C

Transcript of Argument Before the United States Court of Appeals on October 5, 1992

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

FONAR CORPORATION,

Plaintiff-Appellee,

-against-

DECCAID SERVICES, INC., STEPHEN STECKLER, LOUIS TREGLIA, PETER KIM, MEDICAL FUNDING OF AMERICA, INC. and DAVID SMITH,

Defendants-Appellants.

October 5, 1992
10:20 a.m.
U.S. Court of Appeals
40 Foley Square
New York, New York

Before:

HONORABLE JUDGE JOHN PRATT
HONORABLE JUDGE ALTIMARI
HONORABLE JUDGE VAGRAAFEILAND

Reported by: Marianne D'Amico

Appearances:

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Of Counsel

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By: HENRY GUTMAN, ESQ.

Of Counsel

MS. RICHARD: Good morning, your Honor. My name is Virginia Richard, I receipt the appellant Deccaid Services, Peter Kim, Louis Treglia and Stephen Steckler.

This is a copyright infringement and misuse of trade secrets case involving allegedly copyrighted computer software and secret schematic drawings for printed circuit boards.

The lower court issued a TRO on October 1, 1991 and granted plaintiff's motion for preliminary injunction and contempt of the October 1, 1991 TRO on March 9, 1992. This appeal followed.

The question before this court is whether there was sufficient evidence before the lower court to warrant issuance of the injunctive relief and to support a contempt finding.

JUDGE PRATT: Were diagnostic programs already on the system or in the system, were they on the system? Were the diagnostic programs already there?

MS. RICHARD: Your honor, the complete work, as I understand it, consisted of operating software which is application software used by the person who operated the MRI machine, and diagnostic software which included works which were allegedly the subject of the copyright registration in suit, Fonar Editors Diagnostics and Field Utilities.

There was also other diagnostic or maintenance software on the disk which was not the subject of the copyright registration.

The copyright registration itself did not --

JUDGE PRATT: My question is could they service the machine. Let's assume I know something about computers or things of this nature, which I don't. I walked over to the machine, and I look on the instructions, could I service the machine?

MS. RICHARD: Could you service the machine? Without using any software?

JUDGE PRATT: By using the

information already in or on the machine?

MS. RICHARD: You could service the machine by using the operating software that enabled the user to operate the machine.

JUDGE PRATT: Was it available to anyone?

MS. RICHARD: Available to anyone, correct.

JUDGE PRATT: How do we have a copyright infringement under those circumstances?

MS. RICHARD: Well, the allegation is that the diagnostic software or the maintenance software which was on the computer disk, hard drive disk on the machine, contained specific software which was utilized in connection with the repair or service of the machine. And it was portions of that software which were the subject of the copyright registration.

JUDGE PRATT: You're not confusing trade secret with copyright, are you?

MS. RICHARD: I don't believe so,

your Honor.

JUDGE PRATT: O.K., go ahead.

MS. RICHARD: The copyrighted work is not in evidence and the copyright validity was not admitted.

The copyright certificate attached to the complaint identified the work as a computer program bearing the title "Fonar Editors Utility and Diagnostics." Neither the copyrighted work nor the deposit was attached to the complaint or otherwise identified.

Defendants asked that the work be produced or program titles be provided beginning at the TRO hearing. The court refused to order plaintiff to produce the copyrighted work at that time and issued a TRO which specifically prohibited use of the "copyrighted maintenance software."

Subsequently, defendants sought through discovery to identify the copyrighted work. Defendants served a 30(b)(6) notice on Fonar seeking information as to the factual basis of

every allegation in the complaint.

Mr. Bonani, plaintiff's 30(b)(6) witness, testified that he did not know if Fonar owned any copyright registration relating to maintenance software, nor could he state what programs were covered by the copyright registration in suit or if the programs shown on the printscreens placed in evidence on the contempt hearing were covered by Fonar's copyright registration or if Deccaid had infringed Fonar's copyright by copying, reproducing, selling and/or offering for sale a copyrighted software.

Mr. Wolf, plaintiff's --

JUDGE PRATT: What you are trying to say is you don't know what the copyright covers?

MS. RICHARD: That is correct, your Honor.

JUDGE PRATT: What flows from that?

MS. RICHARD: What flows from that is we cannot raise a defence; if we don't know what it is, how can we defend against

it?

JUDGE VANGRAAFEILAND: You state you never got it and you also state that the judge ordered it?

MS RICHARD: That is correct, your Honor.

JUDGE VANGRAAFEILAND: Did you ever make a point with the judge that they didn't comply with his order?

MS RICHARD: Yes, your Honor.

JUDGE VANGRAAFEILAND: What did the judge do?

MS. RICHARD: Well, at the November 27 -- first we told him at the TRO hearing that we needed the copyrighted work. There was a subsequent hearing on November 19. We told him at that point we needed the copyrighted work.

JUDGE VANGRAAFEILAND: The judge ordered it produced?

MS. RICHARD: On the November 19 hearing, he ordered that the deposit copy be produced. That was finally produced and we saw that.

Then we subsequently, on November 27, said that the copyright deposit is so deficient that we cannot determine what is covered by this work, we must have a complete copy of the copyrighted work.

He then ordered the plaintiff to produce the copyrighted work on December 2, which was during the course of all of these actions. The work was not produced on December 2.

On December 3, the court said the copyrighted work is not in evidence on this record. And plaintiff's attorneys said we are getting to that. And then plaintiff's attorney rested on the preliminary injunction and the contempt proceeding.

JUDGE PRATT: You suggested, demanded that all be revealed to the trial judge? Is that what you're suggesting?

MS. RICHARD: I'm suggesting that all be revealed to everyone in this litigation, so that we can make some sense out of what is involved here.

JUDGE VANGRAAFEILAND: Counsel, I'm

still not sure I understand what happened.

The order that demanded it be produced wasn't adhered to; what did you do?

MS. RICHARD: We briefed the issue and said this case should be dismissed because the copyright registration which is the subject matter of the suit --

JUDGE VANGRAAFEILAND: Did you ask that your opponents be held in contempt for not obeying the judge's order?

MS. RICHARD: In opposition to the motion for preliminary injunction and contempt, we said that there was insufficient evidence on either point and the case should be dismissed. We did not ask that they be held in contempt.

JUDGE VANGRAAFEILAND: Wouldn't then the logical thing to have done was go to the district court judge and argue the same? Wouldn't that have been the logical thing to do so you get the copyright?

I mean, instead of now arguing for dismissal of the case, it seems to me the

logical procedure would then have been to go to the district court judge and say we haven't got it, we would like you to hold our opponents in contempt for not obeying the order. Then you would have gotten it.

MS. RICHARD: I suppose, your Honor, at that point in time we had asked for it so many times, he had ordered it produced. This was the end of a very important hearing, very significant to our client, and we felt that the best thing to do was to go forward and say look, they have all of these opportunities to produce this document. It's absolutely critical, and they haven't; dismiss this case.

JUDGE VANGRAAFEILAND: Counsel, it seems to me that if it was that important for you, the thing to do was to take the necessary steps to get it.

MS. RICHARD: Your Honor, we felt that we had taken all of the necessary and prudent steps to get this document.

They were the plaintiffs; they were obligated to come forward with evidence in

support of their case. They didn't do it. What is the logical conclusion to that? They didn't have it or they didn't want to produce it; that it wasn't in their best interest to come forward with the critical cornerstone evidence of their case.

JUDGE VANGRAAFEILAND: Counsel, it seems to me, the best relief is you could ask us to have it sent back so that you could get it; not to have the case dismissed.

MS. RICHARD: Your Honor, I'm certainly asking here that the order of injunction and the order of contempt be reversed for insufficient evidence. That is the very least we believe that we would seek here.

JUDGE VANGRAAFEILAND: How can we say that? We have never seen the thing either, how do we know?

MS. RICHARD: The judge hadn't seen it either and he held that the copyright was valid and it was infringed.

JUDGE VANGRAAFEILAND: You're saying

he was wrong, but how can we say he was wrong if we don't know what was in that document? He may be 100 percent right.

MS. RICHARD: He is clearly wrong if there was insufficient --

JUDGE PRATT: He may be clairvoyant.

MS. RICHARD: That's true.

JUDGE PRATT: Thank you. Ms. Richard, your time is up.

How can we decide what is in this without knowing what is in the copyright?

MR. GUTMAN: I would be delighted, your Honor, the copyright covers the maintenance software.

JUDGE PRATT: How do we know that?

MR. GUTMAN: That is what the registration certificate says.

JUDGE PRATT: Why didn't you produce that?

JUDGE VANGRAAFEILAND: Let's answer one simple question. Why didn't you produce it?

MR. GUTMAN: I wasn't there. I was hired for the appeal.

JUDGE VANGRAAFEILAND: Why didn't whoever was there produce it?

MR. GUTMAN: I do not know that, the answer to that.

JUDGE VANGRAAFEILAND: I don't either and --

MR. GUTMAN: I can say you don't have to remand this to the district court to get this case adjudicated. This is a preliminary injunction appeal, this is still pending. This matter is still pending. If they believe --

JUDGE PRATT: It's also in contempt. Isn't it in contempt?

MR. GUTMAN: There is a civil contempt which is upon them.

JUDGE PRATT: Based upon a copyright that the Honor never saw.

MR. GUTMAN: If I may get back to the point that your Honor raised in response to Ms. Richard, there is software left in the customer's possession

JUDGE PRATT: We are all aware of that. That might be a compelling argument.

But how in the world will this court make a determination on the pivotal point without seeing the instrument itself? The document?

MR. GUTMAN: Well, the court below enjoined them from using the maintenance software, that components --

JUDGE PRATT: The copyrighted maintenance software?

MR. GUTMAN: Exactly.

JUDGE PRATT: That part of the maintenance software that was copyrighted.

MR. GUTMAN: There is no evidence anywhere in the record that any software was not copyrighted.

JUDGE PRATT: There is no evidence that it was.

MR. GUTMAN: If you -- if I may, there is a copyright that covers it. They made a big fuss about the deposits, but as your Honor knows that the deposit is just samples from the beginning of the end of the code.

JUDGE PRATT: You received an

injunction in this matter?

MR. GUTMAN: Yes, my client. As I said, I came in after the fact.

JUDGE PRATT: You received this injunction based on something that really was never before the court fully? Now you're saying because we did not give him the information he asked for, we ought to affirm the district court's clairvoyance?

MR. GUTMAN: If I may, your Honor, it's not clairvoyance. They admitted that they had copied the maintenance tape. They admitted that in their offices, they had shelves with copies of these tapes.

JUDGE PRATT: That still doesn't show what portion of that was legitimately copyrighted.

MR. GUTMAN: I understand.

JUDGE PRATT: In Computer Associates, a panel of this court on which Judge Altimari sat said you first have to analyze the copyright to determine what portions of it covered original material, and there is no possible way to do it

without having the whole thing in front of you.

MR. GUTMAN: With due respect, I am familiar with your Honor's decision in the district court and with the decision of this court. This is not a substantial similarity case, this is a piracy case. This isn't the situation like that that existed in all my --

JUDGE PRATT: Where was piracy?

MR. GUTMAN: They copied the tape itself.

This is not a situation such as Alpha where you had the defendant claiming that he had written the Oscar 345 independence program 3.4 he admitted was copied. 3.5 he said we realized we were wrong, we set out to do it right and we wrote it independently. And the situation, your Honor, in front of the district court that this court then could be confronted later was whether he had done it independently.

That is not that. This is copy a

tape, it is like duplicating a disk or copying a phonograph record or copying an audio tape. It's not a question of --

JUDGE PRATT: The infringement level, you have got to determine what portions of it you could legitimately infringe; that is, you can copy legitimately, there are some portions you cannot and you have got to separate one from the other.

How can you do that without knowing what it was that was copyrighted?

MR. GUTMAN: Your Honor, again, if I may, they copied the whole thing. So it's clear if the registration --

JUDGE PRATT: You mean the backup copies, the backup copies that you're giving to your customers.

MR. GUTMAN: There is a difference. A customer is allowed to have a backup copy. A customer's license does not permit him access to the maintenance.

If I could take a non-technical analogy, it's as if I had in a customer's

facility a locked closet in which I kept my tools and the customer understood that those tools were mine, that he doesn't have the right to go into that closet, that that's for my convenience and it's not covered by his license because that was the arrangement under which all of this software was sold to the customer. None of that gave them the license.

JUDGE VANGRAAFEILAND: May I ask a question. Up until 1985, you didn't have a separate maintenance arrangement there or chart or whatever you had; it was all in one, is that right?

MR. GUTMAN: My understanding, your Honor, is that the methods of access changed at some time around 1985 or 1986, but --

JUDGE VANGRAAFEILAND: That's a nice, nice way of putting it. You separated the maintenance from the basic design, whatever it was; what was it in 1985?

MR. GUTMAN: There was a change made

in 1985.

JUDGE VANGRAAFEILAND: Prior to that time, it was all available?

MR. GUTMAN: I don't believe it was supposed to be. I think my client frankly got better at policing it, but I don't believe it was covered by their license even at that point. And this is new software, this is 1989 software that they copied.

JUDGE VANGRAAFEILAND: I can't get a word in edgewise. It was all in one, wasn't it, and then in 1985 you separated out the maintenance, right?

MR. GUTMAN: It was all in the same tape, but they changed the access.

JUDGE VANGRAAFEILAND: So in 1985, anybody could have seen it, isn't that right? You didn't have a, to use a vocal key word, to get into those things, that seemed to be the word you used, Fonar, to say vocally or with buttons?

MR. GUTMAN: You had to type in a code and I don't believe Fonar was the full

extent --

JUDGE PRATT: But it wasn't a very complicated password, was it?

MR. GUTMAN: Your Honor, I'm not saying they couldn't have done better.

JUDGE PRATT: It's just like the judges' elevator.

MR. GUTMAN: The difference, your Honor, is that we know better than to use it, even law clerks know they aren't supposed to use that elevator.

JUDGE PRATT: But everybody knows the key, the so-called code?

MR. GUTMAN: Absolutely. Even if they knew the code here, just like the judge's elevator, they didn't have permission to ride in it, whether or not anyone else did because they were all former Fonar employees who had signed confidentiality agreements, who had signed employment noncompete agreements.

These were bad actors who copied the stuff and got access to it. And in software, this is very important because

anybody can copy software. I have commercial programs in my office, I have the disk. I have a license saying I can use them only on my machine, I can't make copies for all of my friends, I can't put them on all of my machines, but I'm essentially on my honor to obey that license and to use it only for mine.

So whether or not the clients' mechanism of keeping people out of maintenance software was as good as it could have been or whether it got better over time, I would respectfully suggest is not the point. They had a copyright that prevented people from using it without their permission.

JUDGE VANGRAAFEILAND: Counsel, they didn't obey the copyrights and you then disobeyed the judge's order. So we would come out just about even then, wouldn't we?

MR. GUTMAN: I would suggest, your Honor, if they have a problem with the obedience --

JUDGE VANGRAAFEILAND: We have a

problem, counsel. The district judge ordered you to do something which he thought was important and you didn't do it.

MR. GUTMAN: Your Honor, as new counsel, if there is any order including that one that my client has not lived up to, we will live up to it. That is something --

JUDGE VANGRAAFEILAND: You will live up to it. You're going to end up living up to it.

MR. GUTMAN: Your Honor, I have no quarrel with that and I'm sorry. I wasn't there at the time. I don't know why it didn't happen.

JUDGE VANGRAAFEILAND: I don't either.

MR. GUTMAN: I wish I could help, but believe me, I have been asking that question myself and I haven't gotten the answer.

JUDGE PRATT: Don't you think it would be wise if we remanded, and I speak only for myself, if we remanded for that

purpose and have reviewed the entire matter with all of the documentation before them, and at the same time we could then reevaluate the contempt? Does that seem, seeing if that impinges upon the other element, doesn't it make sense to do it?

MR. GUTMAN: I certainly have no problem with a remand on the preliminary injunction. And I would suggest to your Honors that with or without a remand, they can always go in below and move to reconsider based on this matter that has become so important suddenly now that they're up here.

On the contempt, though, I think there is a somewhat different point. They have been playing a semantic game, there was no question. And each of the individual defendants was questioned in this in open court before the district judge: Did you understand what was meant by maintenance software when the order was issued on October 2nd? They all said they did. They agreed by consent to extend the

TRO for over a month, indeed for two months to allow for a preliminary injunction hearing. They never asked to have that clarified.

Now, after they got caught, by violating that order, they say we knew what maintenance software meant but we didn't know what the word "copyrighted" meant. And I would suggest that is an all too easy way for anyone who doesn't want to follow an injunction entered by the district court to try and dodge it by saying yes, we do have basic disagreement as to the scope of the copyright which is the issue that will ultimately be resolved, this case isn't over, this is just a preliminary injunction.

JUDGE PRATT: Would you answer one question for me.

MR. GUTMAN: Yes, sir.

JUDGE PRATT: You claim that the schematics were part of the copyright?

MR. GUTMAN: The schematics were protected by a trade secret, not by – I

don't understand that they were protected by copyright.

JUDGE PRATT: So you're not claiming that they were protected by copyright?

MR. GUTMAN: They could have been, but they were not.

Thank you very much.

JUDGE PRATT: We will reserve decision.

Next case.

CERTIFICATE

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

I, MARIANNE D'AMICO, a Shorthand Reporter and Notary Public within and for the State of New York, do hereby certify:

I reported the proceedings in the within-entitled matter, and that the within transcript is a true record of such proceedings.

I further certify that I am not related, by blood or marriage, to any of the parties in this matter and that I am in no way interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto set my hand this 20th day of October, 1992.

/s/
Marianne D'Amico

APPENDIX D

Portions of Brief of Appellants Deccaid Services, Inc., Steven Steckler, Louis Treglia and Peter Kim, to the United States Court of Appeals for the Second Circuit

92-7407 and 92-7445

UNITED STATES COURT OF APPEALS
For the Second Circuit

FONAR CORPORATION,

Plaintiff-Appellee,

-against-

DECCAID SERVICES, INC., STEPHEN STECKLER, LOUIS TREGLIA, PETER KIM, MEDICAL FUNDING OF AMERICA, INC. and DAVID SMITH,

Defendants-Appellants,

EQUI MED LEASING, INC. and MORTON MACKOF,

Defendants.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF NEW YORK

BRIEF OF APPELLANTS DECCAID SERVICES, INC., STEVEN STECKLER, LOUIS TREGLIA AND PETER KIM

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b) FONAR MAINTENANCE SOFTWARE

In 1985, Fonar re-arranged its software into two groups: operating software and so-called maintenance software. (Wolf Depos. Tr. 19-22, A - 2619-2622) At that time Fonar moved programs entitled Editors, Diagnostics and Utilities programs "which were written anywhere from 1982 to 1985" from the operating software menu and directories to separate directories bearing those titles. (Wolf Depos. Tr. 19, A - 2619)

Fonar maintenance software is not in evidence.

(i) **Fonar's Maintenance Software Is Not Unpublished And is Not Secret**

Fonar claims that its maintenance software is unpublished and is a trade secret "which no one other than Fonar has access to ..." (Damadian 9/28/91 Aff. ¶ 23, A-51). However, the facts show that:

1) Fonar distributed its maintenance software to all purchasers of Fonar Beta 3000 equipment from 1982 to date on the same disk or tape as its operating software. (Wolf Depos. Tr. 19, A - 2619)

2) At least 15-20 separate programs which are now claimed to be maintenance software were incorporated in the operating software from 1983 until 1985-6. (Wolf Tr. 19-22, A - 2619-2622). Many other programs in the operating software are duplicated in the maintenance software with minor variations in computer code. (Wolf Depos. Tr. 122, A - 2722). Fonar does not claim that its operating software is an unpublished work, therefore, any programs which were once located within the operating software or are merely duplicates of programs in operating software are published works and not entitled to trade secret status.

3) From 1982 to date, Fonar software bore no confidential, secret or other proprietary warnings. (Wolf 92-93, 95, A - 2692-2693; R. Damadian 12/3/91 Hearing Tr. 41-42, A - 1627-1628; Green Depos. Tr. 74-80, A - 2894-2900).

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4) Fonar maintenance software was accessible to all users of Fonar equipment from 1982 until approximately 1987-88 without use of an access code. (Green Depos. Tr. 93, 94, A - 2913, 2914; Stutman Dec. ¶ 11; A - 463; Sharpless 11/27/91 Hearing Tr. 58, A - 1560; Sharpless Dec. ¶ 6, A - 458; Smith 12/3/91 Hearing Tr. 94, A - 1680).

5) Fonar maintenance software was accessible to all users by use of the password "FONAR" from 1987-8 to date. From 1987 to date, the password "FONAR" was routinely disclosed by Fonar personnel to operators of Fonar equipment who were not employees of Fonar. (Green Depos. Tr. 106-109, A - 2926-2929; R. Damadian 12/3/91 Hearing Tr. 54-55, A - 1640-1641; Bonnani Depos. Tr. 47, 386, A - 2320, 2549; Alvarez Depos. Tr. 31-37, A - 2223-2229; Wolf Depos. Tr. 146-147, A - 2746-2747; Wolf 12/3/91 Hearing Tr. 91-92; A - 1677-1678; Stutman Dec. ¶¶ 8,11, A - 463.

   a) Non-Fonar employees regularly used the maintenance software, with Fonar's knowledge, to repair and service Fonar equipment. Fonar service records reflect use of the maintenance software by non-Fonar employees. (Green Depos. Tr. p. 109, A-2929)

   b) Fonar did not tell non-Fonar employees who used the access word "FONAR" and the maintenance software that the access word "FONAR" or the maintenance software were secret. (Alvarez

Depos. Tr. 32, 63, 65, A - 2224, 2255, 2257; Wolf Depos. Tr. 93-95, 106, 149-150, A-2693-2695, 2706, 2749-2750; Wolf 12/3/9 1 Hearing Tr. 91-92; A - 1677-1678; R. Damadian Tr. 12/3/91 Hearing Tr. 42, 54-55, A - 1628, 1640-1641; Green Depos. Tr. 106-109, 115, A - 2926-2929, 2935; Treglia Aff. ¶ 13, A - 693, Steckler Aff. ¶ 19, 20, A - 519).

6) Fonar had no written policy or procedures regarding maintaining maintenance software in secret from 1982 to 1991. (Bonanni Tr., p. 47, 386, 388, A - 2320, 2549, 2551; Steckler Aff. ¶ 3, A - 513; Treglia Aff. ¶ 9, A - 692; Smith Dec. ¶ 9, A - 343; Stutman Dec. ¶ 7, A - 462; Sharpless Dec. ¶ 10, A-459).

7) Fonar sold its maintenance software and schematics to the Veterans Medical Center in the Bronx in 1986 pursuant to a sales contract, without secrecy restrictions. (Richard 11/26/91 Aff. Ex. 1, A - 528; Def. Ex. H, A - 1957).

8) Fonar allegedly obtained a copyright registration for certain portions of its maintenance software, therefore, trade secret protection for the portions of the maintenance software included in the registration is preempted. 17 U.S.C. § 301.

The foregoing record evidence rebuts the presumption of validity usually accorded a registered copyright.

3. FONAR SCHEMATICS

From 1982 to date, Fonar developed schematic diagrams relating to its printed circuit boards and other MRI system components. Originally, only a few pages of these diagrams were available in large blue print sized versions. (Green Depos. Tr. p. 58, A - 2878). More recently, the total number of diagrams has grown to about one hundred (100) and they are now available in 8-1/2 x 11 size sheets of white paper with black printing. (Green Depos. Tr. 18, A - 2838).

a) Fonar Schematics Are Not Secret

Fonar claims that its schematics are trade secrets. However, the record evidence shows that Fonar did not regard or maintain its schematics as secret:

1) The Fonar schematics marked F1-F130 submitted by Fonar in connection with the TRO (and may a part thereof, see Docket A - 6) order bear no secrecy notations or confidentiality stamps.[6]

---

[6] A mere handful of the Fonar schematics identified as F1 - F130 bear a distribution control stamp. In each case, the distribution control stamp bears a date later than the issue date of the schematics to which it is applied, which indicates unrestricted distribution of the few marked schematics prior to that date.

[page 17 of the brief:]

2) There is no evidence that Fonar schematics were ever stamped with a secret or confidential legend. Neither Mr. Green nor Mr. Bonanni could recall if schematics bore such notations. (Green Depos. Tr. 59-60, 80, A - 2879-2880, 2900; Bonanni Depos. Tr. 41, A - 2314; Defendant's witnesses testified that Fonar, schematics did not bear secrecy notations. (Treglia Aff. ¶ 11, A - 692; Steckler Aff. ¶ 7, A - 516; Kim Aff. ¶ 15, A -510; Smith Dec. ¶ 9, A 343; Stutman Dec. ¶ 8, A - 463).

3) The Fonar schematics admitted in evidence at the hearings do not bear secrecy or confidentiality stamps. (Defendants' Exs. F and G [filed under seal] and Plaintiff's Exs. 5 - 7)

4) Fonar schematics have been distributed to all Fonar field service engineers since 1985 in unnumbered individual sheets or as unnumbered sets. No records have been maintained as to which field service engineers have received which schematics or sets of schematics. (Green Depos. Tr. 20-23, 63-64, A - 2840-2843, 2883-2884).

5) Fonar field service engineers were not told how to use schematics, or where to use them, nor were they told if there were any restrictions on their use. (Green Depos. Tr. p. 60, A - 2880).

6) Fonar field service engineers were not required to sign out schematics when they

were taken off Fonar's premises (Green Depos. Tr. 63-64, A - 2883-2884).

7) Fonar field service engineers took schematics to their homes. (Green Depos. Tr. 64, A - 2884).

8) Fonar's president, Dr. Damadian, testified that Fonar had no written corporate policy on secrecy and that Fonar did not identify Fonar schematics as trade secrets to its employees or others. (R. Damadian 12/3/91 Hearing Tr. 47, 50-52, 55, A - 1633, 1636-1638, 1641). Mr. Green, head of Fonar's field service, could not recall seeing anything in writing from 1982-1991 concerning the maintenance or use of schematics. (Green Depos. Tr. 64-65, A - 2884-2885).

9) Fonar schematics were left unattended and unsecured at customer sites by Fonar field service engineers. (Stutman Dec. ¶ 16, A - 463). Fonar customers were not told that the schematics were secret or that they were obligated to maintain schematics in secrecy. (Bonanni Tr. 27-28, 128-129, A - 2300-2301, 2401-2402; Hunt Aff. ¶ 7, A - 920, and Ex. A thereto [filed under seal]; Treglia Aff. Ex. 3 [filed under seal].

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10) The uncontroverted testimony of defendants' witness, Luigi Treglia, establishes that Fonar schematics left at customer sites were picked up by Deccaid personnel. (Treglia Aff. ¶ 10, 24, A - 692)

11) The uncontroverted affidavit of third party witness, J. Hunt, establishes that his firm, R-Squared, received a set of Fonar schematics in the mail over one and a half years ago. (Hunt Dec. ¶ 7, A - 920)

12) Fonar sold its schematics and maintenance software to the Bronx VA Hospital without secrecy restrictions in 1986. (Defendants' Ex. H, A - 1957)

The overwhelming evidence of record demonstrates that Fonar schematics are not trade secrets.

B. DECCAID'S SERVICE BUSINESS

1. MRI SERVICE

Deccaid Services, Inc. is the largest independent medical imaging equipment service company in the New York metropolitan area. It specializes in the maintenance and repair of diagnostic imaging equipment manufactured by Technicare, Picker and Fonar. (Dikeakos Dec. ¶ 8, A - 924) Deccaid has provided maintenance and repair service for MRI equipment since 1986. (Dikeakos Dec. ¶¶ 7, 12, A - 924, 925)

2. FONAR SERVICE

In late 1988, Montvale Imaging, a medical imaging equipment operator in Montvale New Jersey, asked Deccaid to service its Fonar [. . .]

[end of excerpts of brief]

No. 93-283 (3)

Supreme Court, U.S.
FILED
OCT - 4 1993
OFFICE OF THE CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

FONAR CORPORATION,

Petitioner,

—v.—

DECCAID SERVICES, INC., MEDICAL FUNDING OF AMERICA, INC., DAVID SMITH, MORTON MACKOF, STEVEN STECKLER, LOUIS TREGLIA and PETER KIM,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

PETITIONER'S REPLY MEMORANDUM

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In the
SUPREME COURT OF THE UNITED STATES
October Term, 1993
No. 93-283

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FONAR CORPORATION,

Petitioner,

- v. -

DECCAID SERVICES, INC.,
MEDICAL FUNDING OF AMERICA, INC.,
DAVID SMITH, MORTON MACKOF,
STEVEN STECKLER, LOUIS TREGLIA
and PETER KIM,

Respondents.

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PETITIONER'S REPLY MEMORANDUM

Respondents admit, as they must, that the Second Circuit denied Fonar the opportunity to oppose their application for a Writ of Mandamus before the Writ issued. Their response to Fonar's arguments and cited authorities, which establish that such denial violated Rule 21(b) of the Federal Rules of Appellate Procedure, due process, and the requirements set out by this Court for issuance of a Writ of Mandamus, is to declare that the issues are "unimportant" (Respondent's Brief in Opposition at 7-9), not meriting issuance of this Court's Writ of Certiorari. We disagree.

I. The Second Circuit's Failure to Comply With Federal Rules of Appellate Procedure, Due Process, and the Requirements for Mandamus, Warrant Issuing This Court's Writ of Certiorari

Contrary to Respondents' claim, each of the grounds urged by Fonar involves important, broadly applicable issues of federal law and judicial administration, that warrant issuance of this Court's Writ of Certiorari.

Recognizing that denial of an opportunity to be heard on Respondents' application for a Writ of Mandamus would be a violation of Fed. R. App. P. 21(b) and a denial of Fonar's due process rights warranting a Writ of Certiorari, Respondents assert that Fonar had opportunities to be heard, including Fonar's application for leave to reconsider the Mandamus. (Resp. Br. at 7-12) But, as set forth in Point III below, Fonar had no opportunity to oppose Respondents' application either before the writ issued, or after.

However, even if Respondents were right, and Fonar's application for leave to move for reconsideration were actually considered by the Second Circuit, it is no less a violation of Fonar's right to due process, nor does it remedy or excuse the Second Circuit's failure to afford to Fonar its right to timely oppose the petition for a Writ of Mandamus, expressly provided by Fed. R. App. P. 21(b). See Armstrong v. Manzo, 380 U.S. 545, 14 L.Ed.2d 62, 85 S.Ct. 1187 (1965) ("Armstrong") and Johnson v. United States, 805 F.2d 1284 (7th Cir. 1986), reh'g and reh'g en banc denied (1987), ("Johnson"), both cited by Respondents.

a. Fonar Was Denied Due Process

In Armstrong, as Respondents have pointed out, this Court held that due process of law required that a litigant have the opportunity to be heard "at a

meaningful time and in a meaningful manner." 380 U.S. at 552, 14 L.Ed.2d at 66. Respondents did not point out that this Court determined that the failure to give a litigant the opportunity to be heard before deciding an issue against him, constituted a denial of due process, which was not cured even by a hearing on the merits to set aside the prior decision against him, because that improperly shifted the burden of proof. Id. at 551, 14 L.Ed.2d at 66. Here, it was Respondents' burden to establish a clear and indisputable right to the writ in the first place. By failing to afford Fonar the opportunity to oppose the application before issuing the Mandamus, and limiting Fonar to the discretionary and limited review available after the Writ issued, necessarily deprived Fonar of due process. "Only [considering the application anew] would have restored the petitioner to the position he would have occupied had due process of law been accorded him in the first place." Id. at 552, 14 L.Ed.2d at 67.

b. **The Federal Rules of Appellate Procedure Assure Consistency in the Circuits and Due Process**

Surprisingly, Respondents argue that the Second Circuit's violation of Fed. R. App. P. 21(b) is not "a departure from the usual and accepted course of proceedings which requires exercise of this Court's jurisdiction" (Resp. Br. at 10-11). To the contrary, such a departure from the express requirement of Rule 21, shows that the Writ of Certiorari should issue in the exercise of this Court's supervisory authority over the federal judicial system.

And it is clear from the very cases cited by Respondents, that the violation of Rule 21(b), whether intentional or inadvertent, requires reversal.

Respondents cite Johnson for the proposition that a rule violation does not always require reversal, and that such violation is not necessarily a Due Process denial. However, although Johnson did not reverse the District Court, despite a clear violation of Rule 32 of the Federal Rules of Criminal Procedure, it declined to do so only because the rule violation was raised on a collateral challenge under 28 U.S.C. § 2255, where "[t]he grounds for relief... are narrower than the grounds for relief on direct appeal." Id. at 1287. Had Johnson taken a direct appeal, the Seventh Circuit declared that "we would have reversed and directed the judge to comply with Rule 32 and resentence Johnson." Id. Having rejected Johnson's assertion of the rule violation, Judge Posner separately analyzed his claim of a due process violation, finding no such violation because Johnson's counsel reviewed and had the opportunity to respond to the presentence report. Here, Fonar's petition is the way to obtain direct review of the rule violation, and under the principle in Johnson, the Mandamus should be reversed.

Further, the due process claim here -- deprivation of the right to be heard -- is a constitutional right which stands on its own, and has been guarded by this Court for nearly two centuries. The Trustees of Dartmouth College v. Woodward, 4 Wheat (17 U.S.) 518, 4 L.Ed. 629 (1819).

II. Mandamus Was Not Properly Issued Because Respondents Met None of the Requirements

a. The District Court did not Usurp Power

The Petition cited just some of the many decisions that utilized, and upheld under Fed. R. Civ. P. 26, restrictions on the use and dissemination of proprietary or confidential information. (Pet. at 15.) Accordingly,

the District Court's order could not be viewed as a "usurpation of power".

To escape the effect of these authorities, not even referred to in the opposing brief, Respondents urge a different species of usurpation of power: the alleged dis-regard of the Court of Appeals' mandate. That however, is based on a misreading of the Second Circuit's prior opinion, Fonar Corporation v. Deccaid Services, Inc., 983 F.2d 427 (2d Cir. 1993) (the "January 11 Decision") which related to a different confidentiality order (the "February 25 Order") (Resp. Br. at 15). In fact, there was no mandate with respect to the February 25 Order, and the District Court indeed followed the suggestion of the Second Circuit.

Respondents erroneously rely on Oswald v. McGarr, 620 F.2d 1190 (7th Cir.), reh'g denied (1980) and Yablonski v. United Mine Workers of America, 454 F.2d 1036 (D.C. Cir. 1971), cert. denied, 406 U.S. 906, 31 L.Ed.2d 816, 92 S.Ct. 1609 (1972). In Oswald, the Court stated that, "[a] writ will issue only if [the judge] violated a nondiscretionary command or so abused his discretion that he can be said to have disregarded our mandate." Id. at 1196. There, a prior Seventh Circuit decision had laid out guidelines for procedures and notices in class action. Nevertheless, the Seventh Circuit denied Mandamus even though the District Court order approved notice of settlement of certain claims contrary to the guidelines, and as to which the Seventh Circuit had expressed reservations. Id. at 1197. Similarly in Yablonski, the Court of Appeals had "furnished the district court with unequivocal standards" that were ignored by the District Court. Id. at 1039.

Here, the Second Circuit made a suggestion, only, that the February 25 Order be reconsidered; the only guidance it gave was to state that the February 25

Order was indefinite and uncertain. The May 11 Order involved here (Pet. 6a-21a and reproduced here without the markings of the Second Circuit as R1a-R18a) certainly responded to the Second Circuit's concern, providing the definiteness and certainty which the Second Circuit indicated were necessary.

Contrary to Respondents' claim, the Second Circuit's suggestion could not have been intended to determine the scope of a confidentiality order. Not only is the validity of Fonar's claim to trade secret and confidential status for its Source Code, schematic diagrams, etc., one of the ultimate issues in the case[1], but the Second Circuit, itself, did not believe that its January 11 opinion had directed entry of a "less onerous" order. The May 11 order -- as modified by the Second Circuit -- is far more protective than the February 25 Order. If the Second Circuit, itself, wrote a "more onerous" order, entry of the May 11 Order in its original form by the District Court could not be inconsistent with the Second Circuit's January 11 Decision on that ground.

Accordingly, the first and most basic test for issuance of a Writ of Mandamus has not been met: the District Court did not violate a nondiscretionary command, and rather than disregard the suggestion of the Second Circuit, the District Court followed it. There was, therefore, no usurpation of power.

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[1] Because a less restrictive confidentiality order could well irretrievably undermine Fonar's rights, it is not plausible that the Second Circuit was directing the District Court to decide the basic issue of secrecy without a hearing. Indeed, Respondents themselves admit that those issues "remain to be resolved by the fact finder at the district court level." (Resp. Br. at 10.)

b. The District Court did not Abuse Its Discretion

Alternatively, Respondents argue that the May 11 Order was an abuse of discretion, relying upon Bridge C.A.T. Scan Associates v. Technicare Corp., 710 F.2d 940 (2d Cir. 1983) and International Products Corp. v. Koons, 325 F.2d 403 (2d Cir. 1963). Respondents, however, ignore the fact that the Second Circuit, even with its modifications, did not find that the confidentiality order represented an abuse of discretion.

Both the Bridge and the Koons cases expressly reaffirmed the right, power and, we submit, the duty of a District Court to protect with a confidentiality order information asserted by a litigant to be confidential, "obtained by one party from another by use of the court's processes." (Emphasis added.) Koons, 325 F.2d at 407; Bridge, 710 F.2d at 943. These cases involved confidentiality orders that violated the first amendment rights of a party by purporting to restrict the use of public information, obtained independently, prior to the litigation (and certainly not within the context of discovery in the litigation) and not in violation of the protected party's rights.

Here, all the information covered by the Confidentiality Order has been produced in discovery in this action. Fonar's Source Code, field service files and other internal records are not in any way open to the public (or even anyone outside of Fonar). The only items not produced by Fonar in the context of discovery, its schematic drawings and its computer software, were, Fonar asserts, wrongfully misappropriated by Respondents in violation of Fonar's rights.

Respondents are Fonar's direct competitors in the repair and service of MRI equipment. Therefore, the District Court was justified in withholding from

Respondents the Source Code for Fonar software, etc. since it allowed access to their counsel and experts. See cases cited in Petition at 15; see also Johnson v. United States, supra, 805 F.2d at 1289-90.

c. The Right to Post-Trial Appeal Precludes Mandamus

Respondents' assert that they satisfy the second test, lacking an alternative to Mandamus, because they could "not likely" obtain a stronger result than the January 11 Decision (Resp. Br. at 15-16); this is incomprehensible.

First, on the prior appeal, Respondents sought to have the February 25 Order vacated; that relief was denied. See the January 11 Decision, 983 F.2d at 430. Had the Second Circuit desired a stronger order, it would have issued one. Second, the Second Circuit never "indicated that a less restrictive order should issue". No such language or implication appears in the decision or mandate (R19a-R20a). Third, Respondents would have the same right of appeal after the trial as would any party aggrieved by a pretrial discovery ruling. There is no need for Mandamus here.

III. Fonar Never Had a Prior Opportunity to Argue the Rule 21(b) and Due Process Violations

Respondents claim that Fonar had four opportunities to present to the Second Circuit, the violation of Rule 21(b) and denial of Due Process, but failed to do so. This is factually unfounded.

One alleged opportunity was in response to the Second Circuit's June 1 letter (Pet. App. 1a), advising Fonar that the issue was going to be heard on June 8. However, since no one could predict that the Second Circuit would ignore Rule 21(b) or Fonar's due process rights, and since by that very letter, Fonar (and the

District Court) was prohibited from opposing the petition, the claim is frivolous.

Respondents say that Fonar had an opportunity to oppose Respondents' application for Mandamus when it argued an appeal on October 5, 1992. But they do not explain how that could be an opportunity to be heard on an application to the Second Circuit filed over seven months later, regarding an order that was rendered on May 11, 1993, over six months later.

Respondents also claim Fonar could have opposed their Mandamus application when it opposed Respondents' separate motion for a stay of the trial and, again, when Fonar sought leave to move to reconsider the Mandamus. Both claims are untrue. First, since Fonar was prohibited from opposing Respondents' Mandamus application, it could not and did not do so. Furthermore, Respondents' motion for a stay, based on the Second Circuit's rules was not to be considered until June 15, 1993 and Petitioner's papers in opposition to the stay motion were not received by the clerk's office until the end of the day on June 7. Thus, when the panel issued the Mandamus it likely was unaware that Fonar had served papers opposing the stay motion.

Finally, the Second Circuit never considered Fonar's application for reconsideration because leave to make that motion, which is what Fonar sought, was, in a single word, "denied."

In each case cited by Respondents, the argument found to be waived, existed before the issue was put to the court where it was claimed the argument should have been, but was not made. In two of the cases, the argument was not contained in the Petition for Certiorari. United States v. Williams, 504 U.S. ____, 118 L.Ed.2d 352, 112 S.Ct. 1735 (1992) (argument

available before presentation of case to District Court and Court of Appeals); Browning-Ferris Industries of Vermont, Inc. v. Kelco Disposal, Inc. et al., 492 U.S. 257, 106 L.Ed.2d 219, 109 S.Ct. 2909 (1989) (argument existed but not raised before the District Court or the Court of Appeals, or in Petition for Certiorari); and Deshaney v. Winnebago County Department of Social Services, 489 U.S. 189, 103 L.Ed.2d 249, 109 S.Ct. 998 (1989) (argument existed before but not included in the complaint, not raised before the District Court or Court of Appeals and not included in Petition for Certiorari).

Here, the argument of a 21(b) violation and a Due Process deprivation was created as a result of and only after the Second Circuit considered and decided Respondents' application for Mandamus. Thus, it could not have been raised before the Writ was issued.

CONCLUSION

For the reasons set forth above and in the petition, we respectfully pray the petition be granted.

Dated: New York, New York
October 4, 1993

Respectfully submitted,

SHIFF & TISMAN

By: _____

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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

FONAR CORPORATION,	)	
Plaintiff,	)	Civil Action No. CV-91-3805 (Wexler, J.)
-against-	)	
DECCAID SERVICES, INC., EQUI MED LEASING, INC., MEDICAL FUNDING OF AMERICA, INC., DAVID SMITH, MORTON MACKOF, STEPHEN STECKLER, LOUIS TREGLIA and PETER KIM,	)	ORDER
Defendants.	)	

CONFIDENTIALITY AND PROTECTIVE ORDER

WHEREAS, documents or information proprietary to parties or witnesses containing confidential financial, technical or commercial information and/or trade secrets not publicly disclosed or generally known (hereinafter individually and collectively referred to as "Company Secrets") may be produced or disclosed in the course of discovery proceedings in this action; and

WHEREAS, disclosure of Company Secrets would cause undue burden, expense, injury or oppression to a party or witness, and good cause exists for entry of a confidentiality and protective order pursuant to Rule 26, Fed. R. Civ. P.; and

WHEREAS, the Court wishes the parties to proceed expeditiously with discovery in this action without burdening the Court with unnecessary procedural litigation;

IT IS HEREBY STIPULATED AND AGREED that the following rules and procedures shall govern the disclosure of confidential and proprietary information in this action:

1. Any information disclosed by a party or a non-party witness (the "Producing Party") in this litigation that the Producing Party reasonably believes to constitute a trade secret or other confidential or proprietary information may be designated as "Confidential Information" by the Producing Party. In addition, a Producing Party may (subject to the provisions of paragraph 2 below) designate certain information as "Specially Confidential Information". The "Specially Confidential", as used herein, may also be referred to as "Confidential -- For Counsel Only", or "Confidential -- Attorneys' Eyes Only". All references to "Specially Confidential" below shall be deemed to include these other equivalent references.

2. The category of "Specially Confidential Information" is intended to be limited to that confidential information which, if disclosed to another party herein or to the public at large, would compromise or threaten important business interests of the Producing Party.

3. Confidential or Specially Confidential Information disclosed to a party (the "Receiving Party") in the course of this litigation: (a) shall not be used by the Receiving Party for any purpose other than the prosecution or defense of this litigation; and (b) shall

not be disclosed by the Receiving Party except in compliance with the terms hereof. This provision shall survive termination of a Receiving Party's involvement in this litigation for a period of ten years.

4. Subject to the other terms of this Stipulation, Confidential Information may be made available by a Receiving Party only to the following persons for use in connection with their duties in the course of this litigation:

(a) attorneys of record herein and other members of, or attorneys regularly employed by, their firm(s) who are working on this litigation ("Counsel of Record");

(b) persons regularly employed by such attorneys or their firm(s), working under the supervision of Counsel of Record in connection with this litigation;

(c) persons who have been retained by the Receiving Party specifically to provide expert assistance or advice in this litigation (collectively referred to as "Independent Advisors"), and persons regularly employed by them, to the extent necessary when working under the supervision of such an Independent Advisor in connection with this litigation;

(d) the officers, directors and employees of the Receiving Party with responsibilities relating to the litigation or assisting counsel in the conduct of the litigation;

(e) the Court and its employees;

(f) court reporters or stenographers, or other

persons preparing transcripts of testimony under the supervision of a court reporter or stenographer, who have been provided with a copy of this Stipulation and have agreed to abide by its terms; and

(g) any other person upon such terms and conditions as the parties may agree or as the Court may hereafter by order direct; provided that any person to whom Confidential or Specially Confidential Information is disclosed pursuant to subparagraph (c) above shall, prior to such disclosure, execute a declaration under penalty of perjury in the form annexed hereto as Exhibit A; and that any person to whom Confidential Information is disclosed pursuant to subparagraph (d) above shall, prior to any such disclosure, execute a declaration under penalty of perjury in the form annexed hereto as Exhibit B. Such declarations shall be retained by Counsel of Record making such disclosure, and shall be made available to Counsel of Record for the Producing Party upon a showing of good cause.

5. Specially Confidential Information may be disclosed only to the persons described in subparagraphs 4(a), (b), (e), (f) and (g) above, and to the persons described in subparagraph 4(c) above subject to the provisions of Paragraph 6 below and the other terms hereof.

6. At least fifteen (15) days prior to the disclosure of Specially Confidential Information to any Independent Advisor, Counsel of Record for the Receiving Party shall inform Counsel of Record for the Producing Party in writing of the name, address and

usual employment affiliation of the Independent Advisor, and shall furnish therewith (a) a copy of a current resume or curriculum vitae of the Independent Advisor, (b) a list of all employment, consulting relationships and/or engagements in which the Independent Advisor is currently involved, or has been involved for the preceding three years, (c) a description of the nature of the Specially Confidential Information to be disclosed (e.g., sales information or development information), sufficient in detail to allow the Producing Party to determine in good faith whether to object to disclosure of such information to the Independent Advisor, and (d) a copy of an executed declaration made by the Independent Advisor in the form annexed hereto as Exhibit A. Such disclosure shall not be a waiver of any otherwise applicable privilege or of any rights of the Producing Party pursuant to Rule 26(b), Fed. R. Civ. P.

7. If the producing Party objects to the disclosure of Specially Confidential Information to an Independent Advisor, it shall so notify the Receiving Party in writing within fourteen (14) days of the identification by the Receiving Party of the Independent Advisor. The parties shall then confer in good faith in an attempt to resolve the dispute. If the parties are unable to do so, and the Producing Party shall move within twenty-five (25) days of its objection for an appropriate protective order. During the period to confer on such an objection, disclosure shall not be made by the Receiving Party to any Independent Advisor to whom the Producing Party has objected pending resolution of the Producing Party's objection. If the Producing Party files a motion for an appropriate protective order within the time period allowed above, no such disclosure shall be made until resolution of the motion. The Producing Party's burden of going forward

with such a motion shall not alter any otherwise applicable burden of proof with respect to the substance of the motion.

8. A Producing Party's failure to object to disclosure to an Independent Advisor at the time of his or her identification shall not preclude the Producing Party from later asserting, in writing, a good faith objection to the further availability of Confidential or Specially Confidential Information to such person. A Producing Party's assertion of an objection pursuant to this paragraph shall not, in itself, require the Independent Advisor to return, or to cease working with, any Confidential or Specially Confidential Information previously provided to him or her, but the Receiving Party shall make no further disclosure of Confidential or Specially Confidential Information to the Independent Advisor following receipt of the objection until fifteen (15) days thereafter. The parties shall confer in good faith to attempt to resolve any objection asserted pursuant to this paragraph. If the parties are unable to do so, and the Producing Party continues to object, the Producing Party shall move within fourteen (14) days of its objection for an appropriate protective order. If a Producing Party files a motion for an appropriate protective order within the time period allowed above, no such further disclosure shall be made until the motion is resolved in a manner permitting the disclosure.

9. Any document disclosed in this litigation containing Confidential Information and all copies thereof ("Confidential Documents") shall be so designated by the Producing Party by marking each page thereof as "CONFIDENTIAL". Any document disclosed in this litigation containing Specially

Confidential Information and all copies thereof ("Specially Confidential Documents") may be so designated by the Producing Party by marking each page thereof substantially as follows: "SPECIALLY CONFIDENTIAL," "CONFIDENTIAL -- FOR COUNSEL ONLY", or "CONFIDENTIAL -- ATTORNEY'S EYES ONLY".

10. If copies of documents are not provided to the Receiving Party prior to inspection, the Producing Party need not mark the documents prior to initial inspection. For purposes of such an initial inspection and until copies are provided, all documents shall be considered "Specially Confidential". However, any copies provided to the Receiving Party must be marked with the appropriate notice to be treated as Confidential or Specially Confidential.

11. In the event that (pursuant to the other terms hereof) Confidential or Specially Confidential Information is disclosed or discussed in a deposition conducted herein, any deposition transcript or transcript excerpt containing or referring to such information and all copies thereof ("Confidential Excerpts" and "Specially Confidential Excerpts", respectively), may be so identified by the Producing Party on the record of the deposition. If the Producing Party requests "Confidential" or "Specially Confidential" treatment on the record of the deposition, for a period of thirty-one (31) days following receipt of the transcript of the deposition, the Receiving Party shall treat the transcript in its entirety as so designated; in that event, the Producing Party shall, within thirty (30) days of its receipt of the transcript, serve the Receiving Party with a written confidentiality designation, indicating by page and line number those portions of the transcript or

transcript excerpts it deems Confidential or Specially Confidential. Subject to any later agreement or order, any portion of a deposition which is not designated by the Producing Party within thirty days as Confidential or Specially Confidential by timely written designation will be treated as non-confidential information.

12. All interrogatories and interrogatory answers (or portions thereof), and all requests for admission and responses thereto (or portions thereof), that contain Confidential or Specially Confidential Information (collectively referred to as "Confidential Discovery Pleadings" or "Specially Confidential Discovery Pleadings", respectively) may be so designated by the Producing Party at the time of service and by prominently typing on a cover page thereof the appropriate notice in the following form:

> "Confidential [or Specially Confidential] -- This document contains material designated as Confidential [or Specially Confidential] by agreement of the parties to this lawsuit. Access to that material is limited by the parties' agreement. Any unauthorized access or use may constitute a violation of that agreement."

In the event that the Court enters this Confidentiality Stipulation as an order, the notice shall read:

> "...contains material designated as Confidential [or Specially Confidential] under the terms of an Order entered by the Court in this action. Access to the information in this document is limited by that Order, and any unauthorized access or

use may constitute a violation of the Court's Order."

Each response to an interrogatory or request for admissions (or portion thereof) for which the Producing Party seeks Confidential or Specially Confidential treatment must be separately designated by typing, immediately before each such response, "CONFIDENTIAL:" or "SPECIALLY CONFIDENTIAL:" or the equivalent language referred to above.

13. In addition to and notwithstanding any other provisions of this Confidentiality Stipulation, the following shall not be retained or stored at the regular business premises of the actual Receiving Party: (a) all Confidential Documents (produced in discovery), Confidential Excerpts and Confidential Discovery Pleadings (collectively, "Confidential Material"); (b) all Specially Confidential Documents (produced in discovery), Specially Confidential Excerpts and Specially Confidential Discovery Pleadings (collectively, "Specially Confidential Material"); and (c) all portions containing Specially Confidential Information of all Confidential Filings and sealed pleadings (as described below).

14. All documents and pleadings of any nature containing Confidential or Specially Confidential Information, and all copies thereof, shall be maintained by any person qualified to receive and to retain them under the terms of this Stipulation in a secure manner, intended to minimize any risk of the inadvertent disclosure thereof.

15. Additionally, Counsel of Record for the Receiving Party shall maintain a complete record of all Specially Confidential Material furnished to any person who is not a member of the firm(s), or otherwise

regularly employed by Counsel of Record. Such record shall show the date upon which each item of Specially Confidential Material was furnished to any such person. Such records shall be made available to Counsel of Record for the Producing Party upon a showing of good cause.

16. Any person to whom Confidential or Specially Confidential Information is disclosed (subject to the other terms hereof) shall treat that information in a manner reasonably calculated to preserve the appropriate degree of confidentiality of such information.

17. Subject to the other terms hereof, Confidential or Specially Confidential Information may be disclosed by a Receiving Party in pretrial depositions, to the extent that its use is necessary, only at the deposition(s) of:

(a) present directors, officers or employees of the Producing Party;

(b) an author, addressee or other person indicated as a lawful recipient of a Confidential or Specially Confidential Document;

(c) a person clearly identified in the Confidential or Specially Confidential Information, or in prior discovery, or by the deponent in his or her deposition (without prior disclosure of the specific Confidential or Specially Confidential Information) as a source of the specific Confidential or Specially Confidential Information to be disclosed at the deposition (provided that prior to any disclosure under this subparagraph (d), notice must be given to the Producing Party of the specific information so that it has a fair opportunity to seek a protective order, which

notice may be given at the time of the deposition; and the parties agree to cooperate, and if necessary to defer any such disclosure, to allow the Producing Party to seek such a protective order without delay);

(d) an Independent Advisor otherwise qualified under this Confidentiality Stipulation to receive such Information; or

(e) any person for whom prior authorization is obtained from the Producing Party or the Court.

17. At the request of a Producing Party, persons not entitled to receive Confidential and/or Specially Confidential Information shall be excluded from any portion of a deposition at which such information is, or is likely to be, discussed or disclosed.

18. Any pleading or other document containing a Producing Party's Confidential or Specially Confidential Information shall only be filed with the Court under seal, except that to the extent that the Receiving Party can, without undue burden or expense, segregate the Producing Party's Confidential or Specially Confidential Information from non-confidential information within the material it intends to file, it shall do so, e.g., by segregating the Producing Party's Confidential or Specially Confidential Information in a separate "Confidential Annex" or "Schedule of Confidential Exhibits" (a "Confidential Filing").

19. Within sixty (60) days of the conclusion of this action, all written materials, other than work product, containing Confidential and Specially Confidential Information disclosed in that action and that is in the possession, custody or control of the Receiving Party or its agents shall be destroyed or

turned over to Counsel of Record for the Producing Party. All persons who have received any Confidential or Specially Confidential Information in the course of that action shall provide a declaration under penalty of perjury stating that all such written materials, other than work product, containing Confidential or Specially Confidential Information in their possession, custody or control have been destroyed or turned over to Counsel of Record for the Producing Party. The provisions of this Stipulation restricting the communication and use of Confidential and Specially Confidential Information continue to be binding after the conclusion of this litigation, except: (a) there is no restriction on information introduced into evidence on the public record or otherwise disclosed publicly in Court, and (b) a party may seek written permission from the Producing Party to disclose such information or an order of the Court to dissolve or modify this Stipulation.

20. If Counsel of Record for the Receiving Party at any time objects to the designation or continued treatment of certain information as Confidential or Specially Confidential by the Producing Party, it shall so notify Counsel of Record for the Producing Party, and the parties shall then confer in good faith to attempt to resolve the dispute. If Counsel of Record shall be unable to agree, following such consultation, as to whether the information is appropriately designated, it shall be the responsibility of the Receiving Party to move for an Order requiring redesignation of the information in dispute. Unless and until such an Order is obtained, the original designation by the Producing Party shall stand.

21. Nothing herein shall be deemed to restrict in any way a Producing Party's own use of Confidential

or Specially Confidential Information disclosed by it in this litigation.

22. Inadvertent disclosure of any document or other information during discovery in this litigation, or inadvertent disclosure of Confidential or Specially Confidential Information without appropriate designation, shall be without prejudice to any claim that such document or other information is privileged, or Confidential or Specially Confidential, and no party shall be held to have waived any rights by such inadvertent disclosure.

23. The designation of any material in accordance with this Stipulation as constituting or containing Confidential or Specially Confidential Information is intended solely to facilitate the preparation and trial of this litigation. A party's treatment of such material as confidential in compliance with this Stipulation is not an admission or agreement by the party that the material constitutes or contains confidential or proprietary information.

24. This Stipulation and the procedures set forth herein shall not affect the rights of the parties to object to discovery on any grounds, nor shall it relieve a party of the necessity of proper response or objection to discovery requests, nor shall it preclude any party from seeking further relief or protective orders from the Court as may be appropriate under the Federal Rules of Civil Procedure, Federal Rules of Evidence or any other statute, rule or authority.

25. Nothing herein shall be construed to preclude any party from asserting that some information is of such a highly sensitive nature that its disclosure is

overly burdensome and oppressive under the circumstances.

26. Notwithstanding any other provision herein, proprietary computer software programs and proprietary schematic diagrams for components of the systems at issue herein shall be made available only to persons eligible to receive Specially Confidential Information and, initially, only for inspection under circumstances of controlled access. Following such inspection, and upon a showing of good cause by the Receiving Party to require the physical production of copies of such material, the Receiving Party and Producing Party shall confer in good faith to determine whether sufficient restrictions on such production satisfactory to the Producing Party, including, by way of example only, restrictions on further reproduction and the retention of such material for a limited period of time, can be agreed upon to permit such production to occur.

27. Notwithstanding any other provision herein, if documents constituting or revealing source code information for computer software programs are to be disclosed by any party, such disclosure, if any, shall occur only under restrictions reflecting confidentiality in addition to those set forth herein to govern Specially Confidential Information, including, but not limited to, inspection under circumstances of controlled access.

28. Nothing herein shall be construed to affect in any way the evidentiary admissibility of any document, testimony, or other matter at trial. The parties agree to confer in good faith and well in advance concerning procedures for the mutual preservation of confidentiality, as far as possible, in the course of any court hearing, proceeding or trial to be held herein. The designation of certain information as

Confidential or Specially Confidential pursuant to this Stipulation shall not, for that reason alone, bar its introduction or use at trial pursuant to such terms and conditions as the Court may deem appropriate, consistent with the need for a complete and accurate record of the proceedings. At the same time, nothing herein shall preclude a party from asserting an objection to the introduction or use of Confidential or Specially Confidential Information at trial on the grounds of its confidentiality.

29. The parties shall cooperate in good faith to preserve, as far as possible, the confidentiality of all sealed pleadings or other non-public material on appeal, including the joint filing of any necessary motions in the district or appellate court(s). If the parties are unable, despite their efforts, to preserve the confidentiality of such pleadings or other non-public material on appeal, a party shall not be precluded for that reason alone from asserting that a particular item, not previously disclosed publicly, should constitute part of the record on appeal; the parties shall, however, confer in good faith to attempt to agree whether such an item is necessary for inclusion in the record on appeal, and in the event they are unable to so agree, the Producing Party may seek the intervention of the appropriate court.

30. Nothing herein shall be construed to preclude any party from utilizing in any manner any information that it presently lawfully possesses, or which lawfully comes into its possession outside the discovery process in this litigation.

31. Nothing herein shall preclude any party from applying to the Court for any modification of the terms provided herein, as it may deem appropriate under the

circumstances; provided, however, that prior to such application, the parties involved shall make every effort to resolve the matter by agreement.

Dated: May 11, 1993
Hauppauge, New York

SO ORDERED:

s/Leonard D. Wexler
United States District Judge

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

----------x

FONAR CORPORATION,

Plaintiff,

-against-

DECCAID SERVICES, INC., EQUI MED LEASING, INC., MEDICAL FUNDING OF AMERICA, INC., DAVID SMITH, MORTON MACKOF, STEPHEN STECKLER, LOUIS TREGLIA and PETER KIM,

Defendants.

CV 91-3805
(Wexler, J.)

----------x

DECLARATION RESPECTING CONFIDENTIALITY

_____, under the pains and penalties of perjury, declares:

1. I reside at in the City of and State of .

2. I have read and I understand the provisions of the Confidentiality Stipulation in this litigation. I hereby promise and agree to be bound by its terms, and promise and agree to maintain, pursuant thereto, the confidentiality of all information furnished to me which has been designated as Confidential Information under that Stipulation. I understand that these

promises are conditions precedent to my receipt of any such information.

3. I hereby submit to the jurisdiction of the United States District Court for the Eastern District of New York for the purpose of enforcing the terms of this Declaration.

Executed under penalty of perjury under the laws of the United States on _____, 199_.

_____

(Declarant's Signature)

MANDATE

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

At a Stated Term of the United States Court of Appeals for the Second Circuit, held at the United States Courthouse in the City of New York, on the 11th day of January, one thousand nine hundred and ninety-three.

PRESENT: HON. ELLSWORTH A. VAN GRAAFEILAND
HON. GEORGE C. PRATT
HON. FRANK X. ALTIMARI

Circuit Judges,

FONAR CORPORATION,

Plaintiff-Appellee,

-v.- 92-7407

DECCAID SERVICES, INC., STEPHEN STECKLER, LOUIS TREGLIA, PETER KIM, MEDICAL FUNDING OF AMERICA, INC., and DAVID SMITH,

Defendants-Appellants,

EQUI MED LEASING, INC. and MORTON MACKOF,

Defendants.

Appeal from the United States District Court for the Southern District of New York.

This cause came on to be heard on the transcript of record from the United States District Court for the Southern [sic] District of New York and was argued by counsel.

ON CONSIDERATION WHEREOF, it is now hereby ORDERED, ADJUDGED and DECREED that the order of said district court be and it hereby is vacated and remanded in part and dismissed in part in accordance with the opinion of this court.

ELAINE B. GOLDSMITH, Clerk
By: s/Edward J. Guardaro
Edward J. Guardaro
Staff Attorney

A TRUE COPY
ELAINE B. GOLDSMITH, Clerk
By: s/Kathy Brown
Deputy Clerk